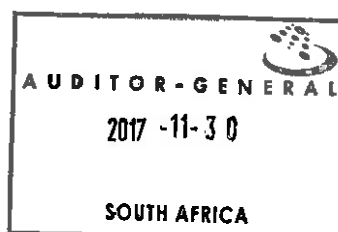


STELLENBOSCH
STELLENBOSCH MUNISIPALITEIT

MUNICIPALITY • PRINSIPAAL • MUNISIPALITEIT

**Stellenbosch Municipality
Annual financial statements
for the year ended 30 June 2017**

Auditor-General of South Africa



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Mayoral committee

Executive Mayor

G Van Deventer

CJ Sidego (Terminated 09/08/2016)

Deputy Executive Mayor

N Jindela

MG Smuts (Terminated 09/08/2016)

Speaker

D Joubert

CP Jooste (Terminated 09/08/2016)

Executive Councillors

P Biscombe

J De Villiers

AR Frazenburg

E Groenewald

X Mdemka

W Peterson

A Salie

J Serdyn

V Fernandez (Terminated 30/07/2016)

Q Smit (Terminated 09/08/2016)

SJ Louw (Terminated 09/08/2016)

PJ Retief (Terminated 09/08/2016)

Councillors

F Adams

DS Arends

F Badenhorst

N Bakubaku-Vos

F Bangani-Menziwa

P Crawley

A Crombie

M De Wet

R Du Toit

A Florence

A Hanekom

E Fredericks

E Fredericks

A Hanekom

J Hamilton

L Horsband

MC Johnson

N Louw

N Mananga-Gugushe

C Manuel

L Maqeba

NE Mc Ombring

RC Nalumango

N Olayi

M Oliphant

M Pietersen

W Pietersen

S Schafer

N Sinkinya

P Sitshoti

E Vermeulen

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

	NM August (Terminated 09/08/2016) HC Bergstedt (Terminated 09/08/2016) DC Botha (Terminated 09/08/2016) JA Davids (Terminated 09/08/2016) JSA Fourie (Terminated 09/08/2016) S Jooste (Terminated 09/08/2016) EL Maree (Terminated 09/08/2016) M Mntumni (Gcaza) (Terminated 09/08/2016) C Moses (Terminated 09/08/2016) MM Ngcofe (Terminated 09/08/2016) N Ntsunguzi (Terminated 09/08/2016) L Ronoti (Terminated 09/08/2016) LN Siwakamisa (Terminated 09/08/2016) LL Stander (Terminated 09/08/2016) M Wanana (Terminated 09/08/2016)
Grading of local authority	Councillors Grade 4 Personnel Grade 10
Chief Finance Officer (CFO)	M Wüst Tel: 021 808 8528 Fax: 021 886 7318
Registered office	Plein Street Stellenbosch 7600
Business address	Plein Street Stellenbosch 7600
Postal address	P O Box 17 Stellenbosch 7599
Bankers	ABSA
Auditors	Auditor-General of South Africa

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I am responsible for the preparation of these financial statements in terms of Section 126(1) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) and signed the Annual Financial Statements on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 32 and 33 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements have been prepared on the going concern basis, is hereby certified.

Accounting Officer
G Mettler

30 November 2017

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Cash and cash equivalents	3	299 430 733	128 186 991
Receivables from exchange transactions	4	91 535 970	85 656 660
Other receivables from exchange transactions	5	83 979 200	62 184 972
Inventories	6	40 658 710	34 658 109
Receivables from non-exchange transactions	7	66 430 628	58 419 570
VAT receivable	8	40 139 579	32 020 078
Short term investments	9	322 475 480	480 000 000
Long term receivable	15	2 121 452	1 387 174
		946 771 752	882 513 554
Non-Current Assets			
Biological assets that form part of an agricultural activity	10	8 808 121	8 907 000
Investment property	11	423 622 558	424 265 953
Property, plant and equipment	12	4 428 174 058	4 177 220 937
Intangible assets	13	9 434 575	6 847 644
Heritage assets	14	724 002	724 002
Long term receivable	15	3 512 953	2 188 000
		4 874 276 267	4 620 153 536
Total Assets		5 821 048 019	5 502 667 090
Liabilities			
Current Liabilities			
Consumer deposits	16	14 577 025	13 191 374
Employee benefit obligation	17	46 157 331	39 327 768
Operating lease liability	18	1 439 270	2 073 729
Other financial liabilities	19	13 083 928	11 908 295
Provisions	20	6 812 128	6 812 128
Payables from exchange transactions	21	282 087 477	201 960 281
Unspent conditional grants and receipts	22	88 493 433	45 953 244
		445 838 464	321 226 819
Non-Current Liabilities			
Other financial liabilities	19	173 302 139	186 386 067
Employee benefit obligation	17	220 222 839	228 568 781
Provisions	20	78 169 144	76 283 251
		471 694 122	491 238 099
Total Liabilities		917 532 586	812 464 918
Net Assets		4 903 515 433	4 690 202 172
Accumulated surplus		4 903 515 436	4 690 202 173

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Service charges	23	788 397 454	705 713 720
Rental of facilities and equipment	24	16 905 749	18 598 556
Interest earned - outstanding receivables	25	6 451 330	5 713 800
Agency services	26	6 400 483	5 576 048
Licences and permits		4 696 952	4 209 654
Other income	27	32 686 226	35 907 794
Investment revenue	28	56 218 546	49 713 156
Total revenue from exchange transactions		911 756 740	825 432 728
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	287 664 140	268 311 283
Property rates - penalties imposed	29	2 364 103	2 067 379
Transfer revenue			
Government grants & subsidies	30	216 896 062	228 208 920
Fines, penalties and forfeits	31	100 441 945	92 604 453
Total revenue from non-exchange transactions		607 366 250	591 192 035
Total revenue		1 519 122 990	1 416 624 763
Expenditure			
Employee related costs	32	(407 801 472)	(367 462 966)
Remuneration of councillors	33	(16 094 449)	(15 844 246)
Contribution to/from provisions	34	(1 536 603)	(7 857 300)
Depreciation and amortisation	36	(149 139 445)	(149 552 206)
Impairment of non cash generating assets		(419 479)	-
Finance costs	37	(19 626 895)	(20 390 548)
Contribution to employee benefits	38	(6 953 305)	(31 508 079)
Contribution to allowance for doubtful debt	35	(1 154 212)	6 734 582
Debt impairment	39	(82 169 287)	(83 277 487)
Collection costs		(1 921 904)	(1 849 167)
Repairs and maintenance		(59 139 800)	(54 648 388)
Bulk purchases	40	(347 827 570)	(324 776 672)
Contracted services	41	(49 381 226)	(49 620 959)
Transfers and Subsidies	42	(6 932 896)	(6 215 883)
General Expenses	43	(157 236 323)	(152 739 605)
Total expenditure		(1 307 334 866)	(1 259 008 924)
Operating surplus		211 788 124	157 615 839
Gain (loss) on disposal of assets and liabilities		729 011	(933 659)
Fair value adjustments	44	945 220	(5 624 621)
Gain on sale biological assets and agricultural produce	62	(104 086)	43 295
Inventories (losses/write-downs)/ reversal of write downs		(45 009)	34 728
		1 525 136	(6 480 257)
Surplus for the year		213 313 260	151 135 582

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	4 543 094 476	4 543 094 476
Adjustments		
Prior year adjustments	(4 027 885)	(4 027 885)
Balance at 01 July 2015 as restated*	4 539 066 591	4 539 066 591
Changes in net assets		
Surplus for the year	151 135 582	151 135 582
Total changes	151 135 582	151 135 582
Balance at 01 July 2016	4 690 202 176	4 690 202 176
Changes in net assets		
Surplus for the year	213 313 260	213 313 260
Total changes	213 313 260	213 313 260
Balance at 30 June 2017	4 903 515 436	4 903 515 436

Note(s)

The comparative amount for the accumulated surplus has been restated. Refer to prior period error note 58.12.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 087 345 205	1 045 977 673
Grants		259 436 251	237 082 400
Interest income		56 218 546	49 713 156
		<u>1 403 000 002</u>	<u>1 332 773 229</u>
Payments			
Employee costs		(394 632 867)	(392 495 097)
Suppliers		(553 988 719)	(603 074 215)
Finance costs		(19 626 895)	(20 390 548)
		<u>(968 248 481)</u>	<u>(1 015 959 860)</u>
Net cash flows from operating activities	45	<u>434 751 521</u>	<u>316 813 369</u>
Cash flows from Investing activities			
Purchase of property, plant and equipment	12	(406 171 832)	(345 447 084)
Proceeds from sale of property, plant and equipment	12	2 198 413	-
Purchase of other intangible assets	13	(4 031 366)	(2 572 412)
Movement in non-current receivables		(1 164 340)	(9 244 867)
Proceeds from sale of biological assets that form part of an agricultural activity	10	45 122	352 546
Movement in investments		157 524 520	112 264 879
Net cash flows from Investing activities		<u>(251 599 483)</u>	<u>(244 646 938)</u>
Cash flows from financing activities			
Movement in other financial liabilities		(11 908 295)	38 855 358
Net cash flows from financing activities		<u>(11 908 295)</u>	<u>38 855 358</u>
Net increase/(decrease) in cash and cash equivalents		<u>171 243 743</u>	<u>111 021 789</u>
Cash and cash equivalents at the beginning of the year		128 186 991	17 165 202
Cash and cash equivalents at the end of the year	3	<u>299 430 734</u>	<u>128 186 991</u>



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	725 720 525	-	725 720 525	788 397 454	62 676 929	
Rental of facilities and equipment	14 886 249	-	14 886 249	16 905 749	2 019 500	BD1
Interest earned - outstanding receivables	7 284 370	-	7 284 370	6 451 330	(833 040)	BD2
Agency services	2 267 910	-	2 267 910	6 400 483	4 132 573	BD3
Licences and permits	8 099 750	-	8 099 750	4 696 952	(3 402 798)	BD4
Other income	26 545 990	-	26 545 990	32 686 226	6 140 236	BD5
Investment revenue	45 377 070	-	45 377 070	56 218 546	10 841 476	BD6
Total revenue from exchange transactions	830 181 864	-	830 181 864	911 756 740	81 574 876	

Revenue from non-exchange transactions

Taxation revenue

Property rates	288 275 033	-	288 275 033	287 664 140	(610 893)	
Property rates - penalties imposed	-	-	-	2 364 103	2 364 103	BD7

Transfer revenue

Government grants & subsidies	268 555 034	-	268 555 034	216 896 062	(51 658 972)	BD8
Fines, Penalties and Forfeits	92 030 972	-	92 030 972	100 441 945	8 410 973	

Total revenue from non-exchange transactions	648 861 039	-	648 861 039	607 366 250	(41 494 789)	
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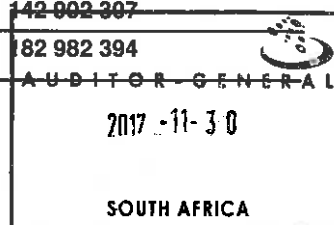
Total revenue	1 479 042 903	-	1 479 042 903	1 519 122 990	40 080 087	
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Expenditure

Employee related costs	(406 477 815)	(5 235 919)	(411 713 734)	(407 801 472)	3 912 262	
Remuneration of councillors	(17 026 816)	-	(17 026 816)	(16 094 449)	932 367	
Contribution to/from provisions	(3 623 610)	-	(3 623 610)	(1 536 603)	2 087 007	BD9
Depreciation and amortisation	(156 655 100)	-	(156 655 100)	(149 139 445)	7 515 655	
Impairment loss/ Reversal of impairments	(8 544 710)	-	(8 544 710)	(419 479)	8 125 231	BD10
Finance costs	(20 221 544)	-	(20 221 544)	(19 626 895)	594 649	
Contribution to employee benefits	(28 047 742)	-	(28 047 742)	(6 953 305)	21 094 437	BD11
Debt impairment	(63 495 874)	-	(63 495 874)	(82 169 287)	(18 673 413)	BD12
Contribution to allowance for doubtful debt	(18 503 142)	-	(18 503 142)	(1 154 212)	17 348 930	BD13
Collection costs	(2 650 000)	-	(2 650 000)	(1 921 904)	728 096	BD14
Repairs and maintenance	(91 422 859)	(4 747 596)	(96 170 455)	(59 139 800)	37 030 655	BD15
Bulk purchases	(344 316 751)	2 829 999	(341 486 752)	(347 827 570)	(6 340 818)	
Contracted Services	(17 384 476)	(2 954 903)	(20 339 379)	(49 381 226)	(29 041 847)	BD16
Transfers and Subsidies	(8 374 841)	1 396	(8 373 445)	(6 932 896)	1 440 549	BD17
General Expenses	(263 491 893)	10 107 023	(253 384 870)	(157 236 323)	96 148 547	BD18

Total expenditure	(1 450 237 173)	-	(1 450 237 173)	(1 307 334 866)	142 902 307	
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Operating surplus	28 805 730	-	28 805 730	211 788 124	182 982 394	
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Gain on disposal of assets and liabilities	1 369 780	-	1 369 780	729 011	(640 769)	
Fair value adjustments	9 467 390	-	9 467 390	945 220	(8 522 170)	
Loss on biological assets and agricultural produce	15 020	-	15 020	(104 086)	(119 106)	
Inventories (losses/write-downs) / reversal of write downs	(8 205)	-	(8 205)	(45 009)	(36 804)	
	10 843 985	-	10 843 985	1 525 136	(9 318 849)	
Surplus before taxation	39 649 715	-	39 649 715	213 313 260	173 663 545	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	39 649 715	-	39 649 715	213 313 260	173 663 545	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Cash and cash equivalents	88 827 378	-	88 827 378	299 430 733	210 603 355	BD19
Receivables from non exchange transactions	96 733 715	-	96 733 715	91 535 970	(5 197 745)	
Other receivables from exchange transactions	55 876 968	-	55 876 968	83 979 200	28 102 232	BD20
Inventories	14 760 644	-	14 760 644	40 658 710	25 898 066	BD21
Long term receivable	40 115	-	40 115	2 121 452	2 081 337	BD22
Receivables from non-exchange transactions	-	-	-	66 430 628	66 430 628	BD23
VAT receivable	-	-	-	40 139 579	40 139 579	BD24
Short term investments	365 309 582	-	365 309 582	322 475 480	(42 834 102)	BD25
	621 548 402	-	621 548 402	946 771 752	325 223 350	

Non-Current Assets

Biological assets that form part of an agricultural activity	11 545 138	-	11 545 138	8 808 121	(2 737 017)	BD26
Investment property	551 396 352	-	551 396 352	423 622 558	(127 773 794)	BD27
Property, plant and equipment	4 643 956 769	-	4 643 956 769	4 428 174 058	(215 782 711)	
Intangible assets	15 388 375	-	15 388 375	9 434 575	(5 953 800)	BD28
Heritage assets	2 824 002	-	2 824 002	724 002	(2 100 000)	BD29
Long term receivable	2 005 735	-	2 005 735	3 512 953	1 507 218	
	5 227 116 371	-	5 227 116 371	4 874 276 267	(352 840 104)	
Total Assets	5 848 664 773	-	5 848 664 773	5 821 048 019	(27 616 754)	

Liabilities

Current Liabilities

Other financial liabilities	10 039 131	-	10 039 131	13 083 928	3 044 797	BD30
Operating lease liability	-	-	-	1 439 270	1 439 270	BD31
Payables from exchange transactions	190 546 837	-	190 546 837	282 087 477	91 540 640	BD32
Consumer deposits	12 976 467	-	12 976 467	14 577 025	1 600 558	BD33
Employee benefit obligation	35 509 114	-	35 509 114	46 157 331	10 648 217	BD34
Unspent conditional grants and receipts	7 165 722	-	7 165 722	88 493 433	81 327 711	BD35
	256 237 271	-	256 237 271	445 838 464	189 601 193	

Non-Current Liabilities

Other financial liabilities	322 617 180	-	322 617 180	173 302 139	(149 315 041)	BD30
Employee benefit obligation	200 664 936	-	200 664 936	220 222 839	19 557 903	BD34
Provisions	40 494 090	-	40 494 090	78 169 144	37 675 054	BD 36
	563 776 206	-	563 776 206	471 694 122	(92 082 084)	
Total Liabilities	820 013 477	-	820 013 477	917 532 586	97 519 109	
Net Assets	5 028 651 296	-	5 028 651 296	4 903 515 433	(125 135 863)	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	5 028 651 296		5 028 651 296	4 903 515 433	(125 135 863)	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	1 081 327 629	-	1 081 327 629	1 154 929 918	73 602 289	CF 1
Grants-operation	134 062 714	-	134 062 714	159 158 978	25 096 264	CF 2
Interest income	51 933 003	-	51 933 003	56 218 546	4 285 543	CF 3
Grant- capital	130 572 320	-	130 572 320	94 328 516	(36 243 804)	CF 4
	1 397 895 666	-	1 397 895 666	1 464 635 958	66 740 292	

Payments

Suppliers and employee costs	(1 128 657 812)	-	(1 128 657 812)	(1 003 324 649)	125 333 163	CF 5
Finance costs	(20 221 544)	-	(20 221 544)	(19 626 895)	594 649	
Transfers and Grants	(7 563 444)	-	(7 563 444)	(6 932 896)	630 548	CF 6
	(1 156 442 800)	-	(1 156 442 800)	(1 029 884 440)	126 558 360	

Net cash flows from operating activities	241 452 866	-	241 452 866	434 751 518	193 298 652	
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Cash flows from investing activities

Capital assets	(473 885 569)	-	(473 885 569)	(406 171 832)	67 713 737	CF 7
Proceeds from sale of property, plant and equipment	5 698 254	-	5 698 254	2 198 413	(3 499 841)	CF 8
Purchase of other intangible assets	(4 694 812)	-	(4 694 812)	(4 031 366)	663 446	CF 7
Movement in investments	-	-	-	157 524 520	157 524 520	CF 9
Proceeds from sale of biological assets that form part of an agricultural activity	-	-	-	45 122	45 122	CF 10
Proceeds from long term receivables	-	-	-	(1 164 339)	(1 164 339)	CF 11

Net cash flows from investing activities	(472 882 127)	-	(472 882 127)	(251 599 482)	221 282 645	
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Cash flows from financing activities

Proceeds from other financial liabilities	161 000 000	-	161 000 000	-	(161 000 000)	CF 12
Borrowing long term /refinancing	(11 957 516)	-	(11 957 516)	(11 908 295)	49 221	
Increase (decrease) in consumer deposits	1 386 835	-	1 386 835	-	(1 386 835)	CF 13

Net cash flows from financing activities	150 429 319	-	150 429 319	(11 908 295)	162 336 614	
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Net increase/(decrease) in cash and cash equivalents	(80 999 942)	-	(80 999 942)	171 243 741	252 243 584	
Cash and cash equivalents at the beginning of the year	613 807 934	-	613 807 934	128 186 991	(485 620 943)	

Cash and cash equivalents at the end of the year	532 807 992	-	532 807 992	299 430 732	(233 377 359)	
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Basis of Preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.2 Internal reserves

Capital replacement reserve (CRR)

In order to finance the acquisition of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of the Annual Budget. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Self insurance reserve

The municipality has a Self-insurance reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

Accumulated surplus

The accumulated surplus/deficit represent the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the annual financial statements are set out below:

1.3 Significant judgements and sources of estimation uncertainty (continued)

Revenue recognition

Accounting Policy 1.16 on Revenue from Exchange Transactions and Accounting Policy 1.17 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In concluding judgement, management considered the detailed criteria for recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of financial assets

Accounting Policy 1.9: Financial Instruments, referring to the paragraph on impairment of financial assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the annual financial statements.

Useful lives of property, plant and equipment and Intangible assets

As described in Accounting Policy 1.6 and 1.7 the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful life, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge. The review of useful life and residual values of assets are only reviewed if one of the indicators of potential review is triggered.

Employee benefit obligations

The municipality obtains actuarial valuations of its employee benefit obligations. The employee benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the applicable notes to the annual Financial Statements.

Impairment of non-financial assets

The recoverable (service) amounts of cash-generating units and individual assets have been determined based in the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Value in use of cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that the impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions are raised and management determines an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 20 - Provisions.

Allowance for slow moving, damaged and obsolete stock

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus/deficit.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Effective interest rate

The municipality uses the best estimate of the costs at the reporting date with reference to the inflation rate.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Biological assets that form part of an agricultural activity

The municipality recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

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Accounting Policies

1.4 Biological assets that form part of an agricultural activity (continued)

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity, is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable, is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Item	Useful life
Trees in a plantation forest	indefinite

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or for
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that is associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30-99 years
Property - land	indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 11).

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Property, plant and equipment is recognised as an asset when:

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Accounting Policies

1.6 Property, plant and equipment (continued)

- it is probable that the future economic benefits or service potential that are associated with the property, plant and equipment will flow to the municipality; and
- the cost or fair value of the item can be determined reliably.

Measurement

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready to be used.

Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
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Accounting Policies

1.6 Property, plant and equipment (continued)

Buildings	
• Land	indefinite
• Buildings	30-99
Infrastructure assets	
• Roads and paving	10-100
• Electricity	10-50
• Water	10-100
• Sewerage	10-100
• Housing	30
Community assets	
• Improvements	30
• Recreational facilities	20-30
• Security	5
Capital restoration asset	
• Landfill site	5-30
Other property, plant and equipment	
• Watercraft	15
• Specialised plant and equipment	10-15
• Other plant and equipment	2-5
• Specialised vehicles	10
• Office equipment	1-7
• Bins and containers	5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 12).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Stellenbosch Municipality

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Accounting Policies

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially measured at cost.

Subsequent to initial measurement Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.


The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life	 AUDITOR-GENERAL 2017 -11- 30 SOUTH AFRICA
Computer software	3 years	
Databases	30 years	
Other intangible assets	5 years	
20		

Stellenbosch Municipality

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Accounting Policies

1.7 Intangible assets (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the asset is derecognised.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 14).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 14).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 14 Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Stellenbosch Municipality

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Accounting Policies

1.9 Financial instruments

A financial instrument can broadly be defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services..

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Operating lease liability	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

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Accounting Policies

1.9 Financial Instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data..

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The calculation in respect of the impairment of fines receivable (receivables from non-exchange transactions) is based on an assessment of the past history of fines per category.

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Accounting Policies

1.9 Financial Instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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Accounting Policies

1.10 Leases (continued)

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rent are expensed in the period in which they are incurred.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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Accounting Policies

1.12 Landfill site

Site restoration and dismantling cost - The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes:

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located;
- changes in the measurement of an existing decommissioning, restoration and similar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in discount rate; and
- the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

Stellenbosch Municipality

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1.13 Impairment of cash-generating assets (continued)

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Stellenbosch Municipality

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.14 Employee benefits

Short term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accrued leave pay

Liabilities for annual leave are recognised as they accrue to employees. Liability is based on the total accrued leave days owing to employees and is reviewed annually.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

Stellenbosch Municipality

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Accounting Policies

1.14 Employee benefits (continued)

Multi-employer plans

The municipality classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Stellenbosch Municipality

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Accounting Policies

1.14 Employee benefits (continued)

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

1.14 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long term employee benefits

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost; and
- the effect of any curtailments or settlements.

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Accounting Policies

1.14 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

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Accounting Policies

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Provision for the rehabilitation of landfill sites

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustments result in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

Stellenbosch Municipality

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Accounting Policies

1.15 Provisions and contingencies (continued)

Provision for constructive obligations

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingencies

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is a:

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality;
- present obligation that arises from past events but is not recognised because: it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 50.

Grant-in-aid contributions

Provision is made for any constructive obligations of the municipality. A constructive obligation arises through an established pattern of past practice, published policies or a sufficiently specific current standard, whereby the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

1.16 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Stellenbosch Municipality

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest earned

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

Stellenbosch Municipality

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

Collection charges and penalties

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality; and
- the amount of revenue can be measured reliably; and
to the extent that there has been compliance with the relevant legal requirements (if applicable).

1.18 Value Added Tax

The municipality accounts for Value Added Tax on the cash (receipt) basis.

1.19 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with a maturity period of between three and twelve months and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with bank, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.20 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.20 Statutory receivables (continued)

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the receivable; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 60 for detail.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.24 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.26 Impairment of non-cash-generating assets (continued)

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.27 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Key management as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by Municipal Manager.

Management are those persons responsible for planning, directing and controlling the activities of the municipality including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.29 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.29 Changes in accounting policies, estimates and errors (continued)

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.30 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.31 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Stellenbosch Municipality

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2. New standards and Interpretations

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is not material.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is not material.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality has adopted the interpretation for the first time when the Minister sets the effective date for the interpretation.

The impact of the interpretation is not material.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and Interpretations (continued)

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Stellenbosch Municipality

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

The impact of this interpretation is currently being assessed.

Stellenbosch Municipality

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

The most significant changes to the Standard are:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

The most significant changes to the Standard are:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 30 June 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

The most significant changes to the Standard are:



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Notes to the Annual Financial Statements

2. New standards and Interpretations (continued)

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 30 June 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

Stellenbosch Municipality

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2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and Interpretations (continued)

- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

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2. New standards and interpretations (continued)

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

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3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	14 150	8 210
Bank balances	16 606 566	7 939 387
Short-term deposits	282 794 827	120 239 394
Trust and charitable bank	15 190	-
	<u>299 430 733</u>	<u>128 186 991</u>

Short term deposits include call accounts and investments that mature within 3 months after the initial investment.

Included under current investment deposit is an investment with the New Republic Bank that is currently under curatorship amounting to R 170 839.

Current investment deposits

New Republic Bank	170 839	170 839
Short term investments	282 623 988	120 068 556
	<u>282 794 827</u>	<u>120 239 395</u>

Short-term investments consist of:

Investec - Investment

Opening balance	40 000 000	-
Movement for the year	(31 648 509)	40 000 000
	<u>8 351 491</u>	<u>40 000 000</u>

Sanlam - Investment

Opening balance	68 556	592 477 095
Movement for the year	(68 556)	(592 408 539)
	<u>-</u>	<u>68 556</u>

Standard Bank - Investment

Opening balance	80 000 000	-
Movement for the year	(18 341 900)	80 000 000
	<u>61 658 100</u>	<u>80 000 000</u>

ABSA - Investment

Movement for the year	50 041 616	-
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FNB

Movement for the year	102 083 164	-
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Nedbank

Movement for the year	60 489 616	-
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA BANK - Stellenbosch Branch - Primary Bank Account - 410 188 031	15 888 554	7 116 052	15 895 995	16 606 566	7 939 387	16 767 936
ABSA BANK - Stellenbosch Branch - Municipal Service Account - 407 007 5635	-	-	-	-	-	-
ABSA BANK - Stellenbosch Branch - Municipal Services Account - 407 007 5635	-	-	-	-	-	-
ABSA Bank - Stellenbosch Branch - Traffic Account - 407 157 9787	-	-	-	-	-	-
Total	15 888 554	7 116 052	15 895 995	16 606 566	7 939 387	16 767 936

Included in cash and cash equivalents, an amount of R 200 000 is held as guarantee at the Post Office.

The management of the municipality is of the opinion that the carrying value of bank balances, cash and cash equivalents recorded at amortised cost in the annual financial statements approximate their fair values.

Stellenbosch Municipality

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Notes to the Annual Financial Statements

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4. Receivables from exchange transactions		
Gross balances		
Electricity	31 781 967	31 265 212
Water	51 984 319	48 081 583
Sewerage	16 363 723	15 616 792
Refuse	16 726 055	16 151 428
Housing rental	23 150 442	24 048 632
Sundry	12 434 476	13 593 265
	152 440 982	148 756 912
Less: Allowance for impairment		
Electricity	(1 848 904)	(2 225 237)
Water	(21 764 159)	(21 021 546)
Sewerage	(7 195 366)	(7 292 877)
Refuse	(8 312 054)	(8 426 828)
Housing rental	(17 871 941)	(20 506 491)
Sundry	(3 912 588)	(3 627 273)
	(60 905 012)	(63 100 252)
Net balance		
Electricity	29 933 063	29 039 975
Water	30 220 160	27 060 037
Sewerage	9 168 357	8 323 915
Refuse	8 414 001	7 724 600
Housing rental	5 278 501	3 542 141
Sundry	8 521 888	9 965 992
	91 535 970	85 656 660
Electricity		
Current (0 -30 days)	27 468 068	26 396 974
31 - 60 days	268 438	174 479
61 - 90 days	231 240	112 084
91 - 120 days	74 328	201 485
121 - 365 days	970 809	614 090
> 365 days	2 769 084	3 766 100
	31 781 967	31 265 212
Water		
Current (0 -30 days)	12 143 035	12 821 051
31 - 60 days	1 609 025	1 284 646
61 - 90 days	1 259 783	1 421 850
91 - 120 days	1 404 020	1 292 884
121 - 365 days	7 939 541	5 336 658
> 365 days	27 628 915	25 924 494
	51 984 319	48 081 583
Sewerage		
Current (0 -30 days)	4 066 450	3 725 170
31 - 60 days	237 989	280 807
61 - 90 days	227 655	278 915
91 - 120 days	217 655	487 546
121 - 365 days	1 820 852	2 030 889
> 365 days	9 793 122	8 813 465
	16 363 723	15 616 792

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

	2017	2016
4. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	2 884 016	2 853 651
31 - 60 days	267 753	325 513
61 - 90 days	262 281	306 894
91 - 120 days	250 759	352 631
121 - 365 days	2 164 523	2 329 786
> 365 days	10 896 723	9 982 953
	16 726 055	16 151 428
Housing rental		
Current (0 -30 days)	588 147	941 176
31 - 60 days	181 215	384 675
61 - 90 days	168 987	371 054
91 - 120 days	164 226	354 241
121 - 365 days	982 186	1 469 105
> 365 days	21 065 681	20 528 381
	23 150 442	24 048 632
Sundry		
Current (0 -30 days)	2 736 862	3 936 587
31 - 60 days	126 595	184 589
61 - 90 days	802 579	677 089
91 - 120 days	157 506	327 261
121 - 365 days	1 141 619	1 688 332
> 365 days	7 469 315	6 779 407
	12 434 476	13 593 265
Reconciliation of allowance for impairment		
Balance at beginning of the year	(63 100 252)	(62 925 926)
Contributions to allowance	2 195 240	(174 326)
	(60 905 012)	(63 100 252)

Receivables from exchange transactions past due but not impaired

The Council regards receivables from exchange transactions to be due for outstanding amounts more than 30 days to be past due.

As at 30 June 2017, receivables from exchange transactions of R42 097 491 (2016: R 41 968 417) were past due not impaired.

Credit quality of consumer debtors

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Debtors to the amount of R16 million have been ceded to the Development Bank of Southern Africa in providing security for a loan raised from them.

The comparative figures were restated. Refer to note 58.1

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

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2016

4. Receivables from exchange transactions (continued)

Government debt as at 30 June 2017

Department responsible for debt	Services	Interest	Sundry	Total
Nat. dept of Public Works	908 468	65 097	446 201	1 419 766
Prov. dept of Transport and Public Works	325 522	17 527	2 415	345 464
Western Cape education department	1 667 330	39 328	343	1 707 001
Dept of local government and housing	22 861	3 401	1 800	28 062
Other government departments	1 027 361	77	45	1 027 483
	3 951 542	125 430	450 804	4 527 776

5. Other receivables from exchange transactions

Prepayments	3 082 270	2 710 749
Deposits	958 653	597 413
Accrued income	76 369 291	51 664 934
Insurance debtor	-	381 061
Interest receivable	-	3 973 354
Public safety account	949 296	360 762
Special rating area debtor	217 788	-
Other receivable	2 303 192	2 303 192
Parking debtor	98 710	193 507
	83 979 200	62 184 972

The comparative figures were restated. Refer to note 58.2.

6. Inventories

Consumable stores	23 670 476	13 844 210
Water	489 639	434 055
Land inventory	16 498 595	20 379 844
	40 658 710	34 658 109

The amount of inventory reversed / (written down) is R (45 009) (2016: R 34 728) and is recognised as an income / expense and an increase / reduction in the carrying value of inventories. The circumstances relating to the reversal / write down is as a result of stock adjustments and shortages on general stock items as reported and approved accordingly.

The net transfer of GRAP 12 inventory to property, plant and equipment amounted R 6 340 857 (2016: R 3 058 456). Refer to note 12.

Inventory expensed for the year is R 39 836 374 (2016: R 31 461 595).

No inventories were pledged as security for liabilities.

7. Receivables from non-exchange transactions

Capital receivables represent funding that Council is awaiting from external institutions for capital expenditure incurred and claimed, but not yet received at year-end.

The average credit period for capital receivables is dependent on the government department involved and the nature of the claim. No interest is charged on outstanding capital receivables. The subsidies are payable to the municipality resulting from allocations made in the DORA or based on agreements between the municipality and the relevant departments.

Stellenbosch Municipality

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Figures in Rand	2017	2016
7. Receivables from non-exchange transactions (continued)		
Gross balances		
Government grants and subsidies	7 531 063	7 064 713
Fines	114 568 530	107 107 914
Other receivables	493 315	651 825
Property rates	33 364 438	32 546 104
	155 957 346	147 370 556
Less: Allowance for impairment		
Property rates	(4 842 457)	(5 185 748)
Fines	(84 684 261)	(83 765 238)
	(89 526 718)	(88 950 986)
Net balances		
Government grants and subsidies	7 531 063	7 064 713
Fines	29 884 269	23 342 676
Other receivables	493 315	651 825
Property rates	28 521 981	27 360 356
	66 430 628	58 419 570
Fines		
Current (0 -30 days)	5 728 427	5 717 938
31 - 60 days	8 019 797	8 005 114
61 - 90 days	6 874 112	6 861 526
91 - 120 days	5 728 427	5 717 938
121 - 365 days	36 661 930	36 594 806
> 365 days	51 555 837	44 210 592
	114 568 530	107 107 914
Capital receivables		
Current (0 -30 days)	3 792 235	
> 365 days	3 738 828	7 064 713
	7 531 063	7 064 713
Property rates		
Current (0 -30 days)	13 252 525	13 211 560
31 - 60 days	448 101	528 642
61 - 90 days	377 964	634 097
91 - 120 days	352 595	310 345
121 - 365 days	3 462 360	3 379 388
> 365 days	15 470 893	14 482 072
	33 364 438	32 546 104
Other receivables from non-exchange revenue		
> 365 days	493 315	651 825

Stellenbosch Municipality

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Notes to the Annual Financial Statements

Figures in Rand

	2017	2016
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7. Receivables from non-exchange transactions (continued)

Reconciliation of allowance for impairment for receivables from non-exchange transactions

Reconciliation of allowance for impairment: Fines

Opening balance	(83 765 238)	(70 774 510)
Contributions to allowance	(919 023)	(12 990 728)
	(84 684 261)	(83 765 238)

Reconciliation of allowance for impairment: Property rates

Opening balance	(5 185 748)	(6 509 625)
Contributions to allowance	343 291	1 323 876
	(4 842 457)	(5 185 749)

Government debt as at 30 June 2017

	Rates	Interest	Total
Nat. dept of Public Works	245 012	44 154	289 166
Prov. dept of Transport and Public Works	42 593	6 631	49 224
Western Cape education department	-	-	-
Health	-	-	-
Dept of local government and housing	134 776	6 119	140 895
Other government departments	-	-	-
	422 381	56 904	479 285

The Council regards receivables from non-exchange transactions to be due for outstanding amounts more than 30 days to be past due.

As at 30 June 2017, consumer debtors of R 14 821 355 (2016: R14 760 785) were past due but not impaired

The comparative figures were restated. Refer to note 58.3.

8. VAT receivable

VAT	40 139 579	32 020 078
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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9. Short term investments

Short term investments

Fixed deposits	322 475 480	480 000 000
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Short term investments include all other investments for a period of 1-12 months that are not included in cash and cash equivalents. The interest rates for these investments range between 8.2% and 8.75%

Short term investments consists of the following:

ABSA - Investments

Opening Balance	120 000 000	-
Movement for the year	(17 733 014)	120 000 000
	102 266 986	120 000 000

FNB - Investments

Opening Balance	120 000 000	-
Movement for the year	(120 000 000)	120 000 000
	-	120 000 000

Nedbank - Investments

Opening Balance	120 000 000	-
Movement for the year	115 068	120 000 000
	120 115 068	120 000 000

Standard Bank - Investments

Opening Balance	120 000 000	-
Movement for the year	(19 906 575)	120 000 000
	100 093 425	120 000 000

10. Biological assets that form part of an agricultural activity

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in a plantation forest	8 808 121	-	8 808 121	8 907 000	-	8 907 000

Reconciliation of biological assets that form part of an agricultural activity - 2017

	Opening balance	Decreases due to harvest / sales	Fair value (decrease)/ increase	Total
Trees in a plantation forest	8 907 000	(149 208)	50 329	8 808 121

Reconciliation of biological assets that form part of an agricultural activity - 2016

	Opening balance	Decreases due to harvest / sales	Fair value (decrease)/ increase	Total
Trees in a plantation forest	10 659 185	(309 251)	(1 442 934)	8 907 000

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Figures in Rand	2017	2016
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10. Biological assets that form part of an agricultural activity (continued)

Non - Financial information

2017 Nature and quantities of each biological asset	Opening Balance	Decrease due to Harvest	Fair value (decrease) /increase	Closing balance
Botmanskop Plantation	3 914 000	(149 208)	(416 514)	3 348 278
Paradyskloof Plantation	4 993 000	-	466 843	5 459 843
	<u>8 907 000</u>	<u>(149 208)</u>	<u>50 329</u>	<u>8 808 121</u>
2016 Nature and quantities of each biological asset	Opening Balance	Decrease due to Harvest	Fair value (decrease) /increase	Closing balance
Botmanskop plantation	4 548 068	-	(634 068)	3 914 000
Paradyskloof Plantation	6 111 117	(309 251)	(808 866)	4 993 000
	<u>10 659 185</u>	<u>(309 251)</u>	<u>(1 442 934)</u>	<u>8 907 000</u>

The determination of fair value was as follow:

Principle:

Price determination: was done on the basis of current sale value of the tender for the current year i.e. R500/m3 excluding 14% VAT. This value was given to all trees as the estimated yield takes into consideration the age of the trees. The harvestable age starts from 20 years old where the minimum estimated yield would be 100m3/ha.

It must also be noted that this yield is based on optimum growing conditions and the existing microclimates, and thus the yield might vary per compartment. Refer to the Forestry Handbook p204 which can be obtained at the municipal offices.

Description of the Biological Assets

1. Botmanskop plantation (Block E) Some compartments remain which can be harvested at a later stage due to the age of the trees.
2. Paradyskloof plantation (Block G) Some compartments remain which can be harvested at a later stage due to the age of the trees.

Strategy to mitigate risks

The strategy to mitigate risks attached to this category of assets is to prevent the spread of runaway veld fires by maintaining fire breaks.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand	2017	2016
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11. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	439 696 767	(16 074 209)	423 622 558	439 696 767	(15 430 814)	424 265 953

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	424 265 953	(643 395)	423 622 558

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	424 865 997	(600 044)	424 265 953

Pledged as security

None of the above investment property have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The comparative figures were restated. Refer to note 58.7

Stellenbosch Municipality

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12. Property, plant and equipment

	2017		2016	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Land and buildings	735 820 280	(60 068 308)	675 751 972	733 307 534
Infrastructure	4 519 532 318	(975 175 276)	3 544 357 042	4 149 951 849
Community assets	96 167 920	(17 035 429)	79 132 491	73 461 618
Capital restoration asset	14 821 186	(10 910 498)	3 910 688	14 758 547
Other property, plant and equipment	242 432 757	(117 410 892)	125 021 865	243 978 379
Total	5 608 774 461	(1 180 600 403)	4 428 174 058	5 215 457 927

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Changes in existing restoration costs	Depreciation	Impairment loss	Total
Land and buildings	677 558 049	2 512 745	-	-	-	(4 318 822)	-	675 751 972
Infrastructure	3 323 810 929	336 723 696	-	8 679 298	-	(124 757 864)	(99 017)	3 544 357 042
Community assets	61 194 353	21 917 799	-	(239 599)	-	(3 740 062)	-	79 132 491
Capital restoration asset	6 413 414	-	-	-	62 640	(2 565 366)	-	3 910 688
Other property, plant and equipment	108 244 192	45 017 592	(1 469 402)	(14 780 555)	-	(11 669 499)	(320 463)	125 021 865
Total	4 177 220 937	406 171 832	(1 469 402)	(6 340 856)	62 640	(147 051 613)	(419 480)	4 428 174 058

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Changes in existing restoration costs	Depreciation	Total
Land and buildings	683 675 343	5 756 367	-	(7 660 000)	-	(4 213 661)	677 558 049
Infrastructure	3 134 090 329	305 553 234	-	3 058 456	-	(118 891 090)	3 323 810 929
Community assets	49 822 784	13 867 870	-	-	-	(2 496 301)	61 194 353
Capital restoration asset	8 277 041	-	-	-	501 242	(2 364 869)	6 413 414
Other property, plant and equipment	108 841 217	20 269 613	(933 659)	-	-	(19 932 979)	108 244 192
	3 984 706 714	345 447 084	(933 659)	(4 601 544)	501 242	(147 898 900)	4 177 220 937

Pledged as security

Carrying value of assets pledged as security:

None of the above property, plant and equipment have been pledged as security.

The net transfer of GRAP 12 inventory to property, plant and equipment amounted to R 6 340 856 (2016: R 3 058 456).

Land to the value of R0 (2016: 7 660 000) was transferred to inventory. Refer to note 6.

Work in progress

The work in progress balances included in property plant and equipment is as follows:

Land and buildings	352 304	124 115
Infrastructure	15 665 473	439 391 170
Community assets	13 773 415	7 017 295
Other property plant and equipment	1 128 001	3 753 932
	30 919 193	450 286 512

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12. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Land and buildings	9 551 503	12 036 982
Infrastructure	25 651 205	24 663 447
Community assets	14 002 582	9 201 397
Other property plant and equipment	9 054 382	8 033 261
	58 259 672	53 935 087

Prior period error

A review of useful lives was done on assets. During the review of useful lives certain infrastructure and other property plant and equipment inappropriate useful lives were identified resulting in these assets being fully depreciated over a shorter useful life but still in use. This constitutes a prior period error and was corrected retrospectively in accordance with GRAP 3.

The comparative figures were restated. Refer to note 58.5.

13. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	12 717 518	(3 282 943)	9 434 575	8 686 153	(1 838 509)	6 847 644

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	6 847 644	4 031 366	(1 444 435)	9 434 575

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	5 328 494	2 572 412	(1 053 262)	6 847 644

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14. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated Impairment losses	Carrying value
Art Collections, antiquities and exhibits	724 002	-	724 002	724 002	-	724 002

Reconciliation of heritage assets 2017

	Opening balance	Total
Art Collections, antiquities and exhibits	724 002	724 002

Reconciliation of heritage assets 2016

	Opening balance	Total
Art Collections, antiquities and exhibits	724 002	724 002

Heritage assets used for more than one purpose

The following heritage assets are used by the municipality for more than one purpose:

Neethlingshuis and De Withuis	64 486 222	64 843 949
58 - 60 Andringa Street	1 919 137	1 929 238
35B Mark Street	3 176 414	3 185 606
127 Dorp Street, Transvalia, Alma & Bosmanshuis flats	12 803 367	12 834 175
116 - 118 Dorp Street, Voorgelegen - offices	5 638 273	5 658 475
4 Reservoir West, Mooiwater	2 105 309	2 113 390
34 Mark Street, Rynse Komplex : Toy Museum, Tourism	8 303 367	8 334 175
PMU Building, Alexander Street, Burger Huis	1 597 439	1 604 004
Merriman, Bergzicht Training Centre, Oude Libertas Theatre & Restaurant	62 808 743	63 001 269
Die Laan, Landbou Saal	4 370 417	4 377 235
	167 208 688	167 881 516

15. Long term receivable

At amortised cost

Officials: Erven loans	11 433	17 102
Farmers: Water Schemes	249 109	272 412
Arrangements	5 373 863	5 354 423
	5 634 405	5 643 937
Impairments	-	(2 068 763)
	5 634 405	3 575 174

Non-current assets

At amortised cost	3 512 953	2 188 000
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Current assets

At amortised cost	2 121 452	1 387 174
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16. Consumer deposits

	2017	2016
Water	4 950 961	4 530 373
Electricity	9 101 220	8 144 603
Housing rental	524 844	516 398
	14 577 025	13 191 374

17. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Bonus accrual	10 546 790	9 631 619
Leave gratuity	20 825 560	17 160 196
Long service awards	28 469 818	27 719 640
Post employment medical aid benefit	201 981 567	209 611 270
Salary Control	4 556 435	3 773 824
Net liability	266 380 170	267 896 549
Non-current liabilities	220 222 839	228 568 781
Current liabilities	46 157 331	39 327 768
	266 380 170	267 896 549

17.1 Post- retirement healthcare benefit liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2017 by C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Stellenbosch Municipality

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17. Employee benefit obligations (continued)

The members of the Post-employment Health Care Benefit Plan are made up as follows:

The members of the post-employment health care benefit plan are made up as follows:

In-service members (Employees)	628	621
Continuation members (Retirees, widow(ers) and orphans)	171	183
Total members	799	804

The liability in respect of past service has been estimated as follows:

In-service members	104 555 306	105 670 798
Continuation members	97 426 261	103 940 472
Total liability	201 981 567	209 611 270

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rates of Interest

Discount rate	9.61 %	9.54 %
Health care cost inflation rate	7.89 %	8.58 %
Net effective discount rate	1.59 %	0.88 %

ii) Normal retirement age

Expected retirement age - females	63	63
Expected retirement age - males	63	63

The PA (90) ultimate mortality table was used by the actuaries
Pre-retirement: The SA 85-90 ultimate table, adjusted for female lives, was used.

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	209 611 270	192 290 959
Current service costs	8 940 124	7 594 353
Interest cost	19 634 924	17 174 971
Actual employee benefits payments	(7 553 317)	(7 297 166)
Actuarial (losses) / gains	(28 651 434)	(151 847)
Present Value of Fund Obligation at the end of the Year	201 981 567	209 611 270

The amounts recognised in the Statement of Financial Position are as follows

Net Liability	201 981 567	209 611 270
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	8 940 124	7 594 353
Interest cost	19 634 924	17 174 971
Actuarial (gain)/ loss recognised in profit and loss	(28 651 434)	(151 847)
	(76 386)	24 617 477

Amounts for the current and previous four periods are as follows:

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17. Employee benefit obligations (continued)

Present Value of Unfunded Defined Benefit

2017	201 981 567
2016	209 611 270
2015	192 290 959
2014	124 717 000
2013	164 915 026

Sensitivity analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		104.555	97.426	201.982	
Health care inflation	1 %	128.569	107.113	235.682	17 %
	(1)%	85.794	89.045	174.838	(13)%
Discount rate	1 %	86.202	89.237	175.438	(13)%
	(1)%	128.391	107.045	235.435	17 %
Post-retirement mortality	-1 year	108.045	101.204	209.248	4 %
Average retirement age	-1 year	113.667	97.426	211.094	5 %
Continuation of membership at retirement	(10)%	94.861	97.426	192.288	(5)%

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service Cost	Interest cost	Total	% change
Central assumptions		8 940 100	19 634 900	28 575 000	
Health care inflation	1 %	11 395 300	23 147 100	35 542 400	21 %
	(1)%	7 084 000	16 828 600	23 912 600	(16)%
Discount rate	1 %	7 177 600	18 641 200	25 818 800	(10)%
	(1)%	11 292 300	20 722 500	32 014 800	12 %
Post-retirement mortality	-1 year	9 260 200	20 394 600	29 654 800	4 %
Average retirement age	-1 year	9 658 900	20 463 700	30 122 600	5 %
Continuation of membership at retirement	(10)%	8 128 400	18 704 200	26 832 600	(6)%

Mortality Rates

Post retirement: PA (90) ultimate Mortality table was used.

Pre-retirement: The SA 85-90 ultimate table adjusted for female lives, was used.

Continuation of Membership

With the appointment of ARCH Actuarial Consulting for the year ending 30 June 2017.

The municipality expects to make a contribution of R19 735 013 to the Defined Benefit Plan during the next financial year.

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Figures in Rand	2017	2016
17. Employee benefit obligations (continued)		
17.2 Long Service Awards		
Non-Current Liability		
Opening Balance	27 719 640	25 716 595
Additions	4 706 038	4 218 425
Utilised during the year	(3 955 860)	(2 215 380)
	28 469 818	27 719 640
Current Liability		
	2 302 420	2 145 449
Movement in the present value of Long Service Awards were as follows:		
Opening balance	27 719 640	25 716 595
Current service cost	2 383 546	2 189 747
Interest cost	2 322 492	2 028 678
Actuarial (gains) losses	(2 127 999)	(475 568)
Benefits paid	(1 827 861)	(1 739 812)
Total included in employee related costs	28 469 818	27 719 640
The amount recognised in the Statement of Financial Position are as follows:		
Present value of long service awards	28 469 818	27 719 640
The amount recognised in the Statement of Financial Performance are as follows:		
Current service cost	2 383 546	2 189 747
Interest cost	2 322 492	2 028 678
Actuarial gains (losses)	(2 127 999)	(475 568)
Closing balance	2 578 039	3 742 857
<p>Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover. No other long service benefits are provided to employees.</p>		
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	8.63 %	8.71 %
General salary inflation	6.45 %	7.35 %
Net effective discount rate	2.05 %	1.27 %

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17. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Amounts for the current and previous four years are as follows:

	2017	2016	2015	2014	2013
Accrued liabilities	28 469 818	27 719 640	25 716 595	25 036 000	23 963 762

Sensitivity analysis on the Unfunded Accrued Liability (In R Millions)

Assumption	Change	Liability 28 470.000	% change
Central assumptions			
General salary inflation	1 % (1)%	30.739 26.446	8 % (7)%
Discount rate	1 % (1)%	26.389 30.847	(7)% 8 %
Average retirement age	- 2 years + 2 years	24.522 32.239	(14)% 13 %
Withdrawal rates	(50)%	30.603	7 %

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current- service Cost	Interest Cost	Total	% change
Central assumptions		2 362 600	2 359 500	4 722 100	
General salary inflation	1 % (1)%	2 606 600 2 149 300	2 555 300 2 184 900	5 161 900 4 334 200	9 % (8)%
Discount rate	1 % (1)%	2 164 900 2 592 000	2 432 800 2 267 200	4 597 700 4 859 200	(3)% 3 %
Average retirement age	-2 years 2 years	2 077 900 2 635 700	2 029 300 2 684 700	4 107 200 5 320 400	(13)% 13 %
Withdrawal rates	(50)%	2 712 000	2 543 600	5 255 600	11 %

The comparative figures were restated. Refer to note 58.11

18. Operating lease liability

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	2 073 729	2 412 120
Operating lease expenses recorded	6 143 569	6 588 820
Operating lease revenue realised	(723 360)	(723 360)
Operating lease payments effected	(6 054 668)	(6 203 851)
	1 439 270	2 073 729

Stellenbosch Municipality

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18. Operating lease liability (continued)

Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Amounts Payable under Operating Leases

At the reporting date, the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Buildings:

Up to 1 year	6 143 569	5 101 313
2 to 5 years	8 255 136	5 492 987
	<u>14 398 705</u>	<u>10 594 300</u>

Total operating lease expenses

Minimum lease payments	<u>6 143 569</u>	<u>6 588 820</u>
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The following amounts have been recognised as revenue in the Statement of Financial Performance:

Total operating lease income

<u>(723 360)</u>	<u>(723 360)</u>
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No restrictions have been imposed on the municipality in terms of the operating lease agreements.

The comparative figures were restated. Refer to note 58.10

19. Other financial liabilities

At amortised cost

Annuity Loans Development Bank of South Africa	<u>186 386 067</u>	<u>198 294 362</u>
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Annuity loans from the Development Bank of South Africa have settlement periods of 14 to 15 years with fixed interest varying from 9.25% to 11.10% per annum.

Non-current liabilities

At amortised cost	<u>173 302 139</u>	<u>186 386 067</u>
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Current liabilities

At amortised cost	<u>13 083 928</u>	<u>11 908 295</u>
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20. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of landfill sites	76 290 055	1 585 417	-	77 875 472
Clearing of alien vegetation	6 805 324	-	(6 511 652)	293 672
	<u>83 095 379</u>	<u>1 585 417</u>	<u>(6 511 652)</u>	<u>78 169 144</u>

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20. Provisions (continued)

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Reduction due to re- measurement or settlement without cost to entity	Total
Rehabilitation of landfill sites	76 356 382		(7 720 781)	501 243	1 180 551	5 972 660	76 290 055
Constructive obligations	329 330		(329 330)	-			
Clearing of alien vegetation	9 039 337	713 786	(2 947 799)				6 805 324
	85 725 049	713 786	(10 997 910)	501 243	1 180 551	5 972 660	83 095 379
Non-current liabilities					78 169 144	76 283 251	
Current liabilities					-	6 812 128	
					78 169 144	83 095 379	

Clearing of Alien Vegetation

The provision for clearing of alien vegetation relates to the estimated cost for the clearing of alien vegetation from the areas under the jurisdiction of the municipality.

In terms of the Conservation of Agricultural Resources Act, (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that existed.

Rehabilitation of Landfill Sites

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R77 875 472 (2016: R76 290 055) to restore the site at the end of its useful life, estimated to be in the 2018/2019 financial year. Provision has been made for the best estimate of costs at the reporting date with reference to the inflation rate.

The unwinding of the provision for landfill site for the current year was R 0 (2016: R5 972 660) was included in the contribution to provision figure in the statement of financial performance.

The municipality expects an expenditure outflow of R 0 in the 2017/2018 financial year.

Constructive obligations

Constructive obligations related to Grants in Aid: Rental exist due to expectations created on the part of other parties that the municipality will discharge certain responsibilities.

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	2017	2016
21. Payables from exchange transactions		
Accruals at year end	51 267 917	45 926 339
Accruals at year end (Contracts)	146 655 746	88 018 337
Charitable trust and donations	15 190	-
Contempt of court	526 200	69 300
Deposits received	1 297 302	1 282 475
Impounded vehicles	6 508	-
Other creditors	25 273 037	15 091 278
Other receivables	194 147	157 214
Payments received in advance	9 514 270	7 746 023
Prepaid electricity	5 521 954	5 010 388
Retention	40 366 804	36 237 614
Sundry deposits	1 437 879	1 784 968
Trade payables	10 523	636 345
	282 087 477	201 960 281

The comparative figures were restated. Refer to note 58.8.

22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Provincial government grants	31 521 885	8 656 342
Other sources	3 971 488	4 428 504
Developers contribution - sewerage	6 671 199	3 481 660
Developers contribution - roads	7 469 667	5 696 472
Developers contribution - electricity	15 915 173	10 872 337
Developers contribution - water	4 675 957	3 163 953
Developers contribution - open areas	165 928	165 928
Developers contribution - parking	1 511 442	1 511 442
Developers contribution - general	117 753	117 753
Developers contribution - La Clemence	1 170 940	1 071 598
Franschoek development rights	3 347 553	3 347 553
Franschoek: low cost housing (phase 2)	301 300	301 300
Developers contribution - refuse	705 093	384 029
Developers contribution - stormwater	1 976 853	1 186 424
Top structures	7 471 715	323 000
LGWSETA training	576 143	659 530
Tirelo bosh	675 334	-
WCLG Internship and capacity building grant	180 000	-
Housing consumer education	68 010	68 010
CDW support grant	-	17 409
Spatial development framework	-	500 000
	88 493 433	45 953 244

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 30 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

The comparative figures were restated. Refer to note 58.9

Stellenbosch Municipality

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Figures in Rand	2017	2016
23. Service charges		
Sale of electricity	513 231 105	466 637 278
Sale of water	166 791 082	141 997 594
Sewerage and sanitation charges	88 583 404	77 121 275
Refuse removal	48 651 616	44 718 654
Free basic services	(28 859 753)	(24 761 081)
	788 397 454	705 713 720

The amounts disclosed above for service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

24. Rental of facilities and equipment

Premises

Rental Revenue from other facilities	11 397 565	14 284 958
Rental Revenue from buildings	34 910	28 785
	11 432 475	14 313 743

Facilities and equipment

Rental Revenue from Land	5 473 183	4 284 749
Rental of equipment	91	64
	5 473 274	4 284 813
	16 905 749	18 598 556

The comparative figures were restated. Refer to note 58.13

25. Interest earned- outstanding receivables

Interest received	6 451 330	5 713 800
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26. Agency services

Lisence fees	4 070 714	3 431 055
Other agency fees	2 329 769	2 144 993
	6 400 483	5 576 048

The municipality collects lisence fees on behalf of the provincial government western cape and receives a 12.5% agency fee.

The comparative figures were restated. Refer to note 58.14.

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27. Other income		
Application fees	1 078 146	775 032
Building clause	280 800	614 199
Building plan fees	6 264 573	4 276 916
Cemetery plots	213 727	376 836
Contributions from reserves and operational grants	7 734	3 173 620
Entrance fees	721 073	503 023
Other Revenue - VAT	5 208 128	5 582 061
Insurance	36 638	672 928
Parking revenue	3 487 307	4 239 613
Quoted services	1 973 741	2 475 078
Reconnection fees	1 244 989	1 502 456
Special rating area	4 510 786	3 740 817
Sundry	6 620 422	7 122 344
Testing of drivers	1 038 162	852 871
	32 686 226	35 907 794

The amounts disclosed above are in respect of services, other than described in notes 23 and 24 rendered which are billed to or paid for by users as the services are reclaimed according to approved tariffs or offers received in terms of supply chain procedures, i.e. woodsales.

The comparative figures were restated. Refer to note 58.16.

28. Investment revenue

Interest revenue

Bank	6 245 579	5 396 283
Investment deposits	49 972 967	44 316 873
	56 218 546	49 713 156

29. Property rates

Rates received

Residential	171 674 829	159 772 483
Commercial	137 483 192	128 904 339
Agricultural	14 878 981	14 309 893
Less: Income forgone	(36 372 862)	(34 675 432)
	287 664 140	268 311 283
Property rates - penalties imposed	2 364 103	2 067 379
	290 028 243	270 378 662

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The last valuation came into effect on 1 July 2013. Two interim valuations were performed during the financial year and implemented accordingly.

The following assessment rates were charged for the period ending June 2017:

R 0.01200 - Non Residential (2016: R 0.01133)

R 0.00599 - Residential (2016: R 0.00566)

R 0.00149 - Agricultural (2016: R 0.00141)

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 7 October. Interest is levied as per council's Credit Control and Debt Collection Policy on outstanding rates amounts.

Stellenbosch Municipality

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	2017	2016
30. Government grants and subsidies		
Operating grants		
Equitable share	95 982 000	84 962 000
Integrated transport plan	-	600 000
Financial management grant	1 325 000	1 450 000
Community development workers	73 409	36 591
LGWSETA training	795 382	699 007
Provincial government PHP top structures	8 943 128	26 013 793
Other grants and subsidies operating	68 852	-
Hosting of cultural events	300 000	-
Library services support grant	10 009 000	8 607 000
Municipal systems improvement grant	-	930 000
LG Financial management support grant	220 000	250 000
EPWP support grant	1 758 000	1 075 000
Spatial development framework grant	900 000	-
EEDSM (Project Administration)	-	225 904
Blaauklippen funding	2 192 775	-
	<u>122 567 546</u>	<u>124 849 295</u>
Capital grants		
National government grants	74 882 694	85 826 120
Provincial government grants	11 963 019	16 348 540
Other sources	7 482 803	1 184 965
	<u>94 328 516</u>	<u>103 359 625</u>
	<u>216 896 062</u>	<u>228 208 920</u>

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 401 (2016: R 332), which is funded from the grant. Bulk basic services are also provided free of charge to informal settlements to ensure that these communities have access to basic services.

National government grants- Capital

Current-year receipts	74 882 694	86 977 035
Conditions met - transferred to revenue	(74 882 694)	(86 977 035)
	<u>-</u>	<u>-</u>

The National Government grant includes all the grants that was gazetted in the DORA in 2015/2016. It includes the following grant: Municipal infrastructure grant, Energy Efficiency Demand Side Management, Energy Efficiency Demand Side Management and Regional bulk infrastructure grant.

Capital grant income recognised as revenue represents capital expenditure not reflected through the Statement of Financial Performance.

Municipal Infrastructure grant

To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Regional bulk infrastructure grant

To develop new and refurbish, upgrade and replace ageing infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to develop new and refurbish, upgrade and replace ageing waste water infrastructure of regional significance.

Stellenbosch Municipality

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Figures in Rand	2017	2016
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30. Government grants and subsidies (continued)

Energy Efficiency Demand Side Management

To develop infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality. In the case of sanitation, to supplement regional bulk collection as well as regional waste water treatment works.

Integrated National Electrification Programme

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

Provincial government grants- Capital

Balance unspent at beginning of year	8 656 342	6 532 628
Current-year receipts	34 828 562	19 072 254
Conditions met - transferred to revenue	(11 963 019)	(16 348 540)
Other		(600 000)
	31 521 885	8 656 342

The Provincial government grant includes all the grants that was gazetted in the Provincial allocations in 2016/2017. It includes the following grants: Human settlement development grant and Library services support grant.

Capital grant income recognised as revenue represents capital expenditure not reflected through the Statement of Financial Performance.

Human settlements development grant

To provide funding for the creation of sustainable human settlements. The facilitation and provision of basic infrastructure, top structures and basic social and economic amenities that contribute to the establishment of sustainable human settlements.

Provincial Library Services Conditional Grant

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through recapitalised programme at provincial level in support of local government and national initiatives.

Conditions still to be met - remain liabilities. Refer to note 22.

Other sources- Capital

Balance unspent at beginning of year	4 428 504	4 428 504
Conditions met - transferred to revenue	(457 016)	-
	3 971 488	4 428 504

Conditions still to be met - remain liabilities. Refer to note 22.

Developers contributions- Sewerage

Balance unspent at beginning of year	3 481 660	3 255 177
Current-year receipts	3 189 539	226 483
	6 671 199	3 481 660

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Stellenbosch Municipality

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30. Government grants and subsidies (continued)

Developers contributions- Roads

Balance unspent at beginning of year	5 696 472	3 481 985
Current-year receipts	5 673 195	2 214 487
Conditions met - transferred to revenue	(3 900 000)	-
	<u>7 469 667</u>	<u>5 696 472</u>

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- Electricity

Balance unspent at beginning of year	10 872 337	6 666 167
Current-year receipts	6 042 837	4 206 170
Conditions met - transferred to revenue	(1 000 001)	-
	<u>15 915 173</u>	<u>10 872 337</u>

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- Water

Balance unspent at beginning of year	3 163 953	2 777 004
Current-year receipts	3 012 004	386 949
Conditions met - transferred to revenue	(1 500 000)	-
	<u>4 675 957</u>	<u>3 163 953</u>

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- Open areas

Balance unspent at beginning of year	<u>165 928</u>	<u>165 928</u>
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Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- Parking

Balance unspent at beginning of year	<u>1 511 442</u>	<u>1 511 442</u>
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Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- General

Balance unspent at beginning of year	<u>117 753</u>	<u>117 753</u>
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Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

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30. Government grants and subsidies (continued)

Developers contributions- La Clemence

Balance unspent at beginning of year	1 071 598	1 003 615
Current-year receipts	99 342	67 983
	<u>1 170 940</u>	<u>1 071 598</u>

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Frandedco development

Balance unspent at beginning of year	<u>3 347 553</u>	<u>3 347 553</u>
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Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

FHK Low cost housing

Balance unspent at beginning of year	<u>301 300</u>	<u>301 300</u>
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Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- Refuse

Balance unspent at beginning of year	384 029	351 721
Current-year receipts	<u>321 064</u>	<u>32 308</u>
	<u>705 093</u>	<u>384 029</u>

Conditions still to be met - remain liabilities (see note 22).

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed.

Developers contributions- Stormwater

Balance unspent at beginning of year	1 186 424	1 078 055
Current-year receipts	<u>790 429</u>	<u>108 369</u>
	<u>1 976 853</u>	<u>1 186 424</u>

Conditions still to be met - remain liabilities (see note 22).

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed.

EEDSM (Project administration)

Current-year receipts	-	225 904
Conditions met - transferred to revenue	-	<u>(225 904)</u>
	-	-

To provide subsidies to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Stellenbosch Municipality

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30. Government grants and subsidies (continued)

Integrated transport plan

Current-year receipts		600 000
Conditions met - transferred to revenue		(600 000)

To review and update municipal integrated transport plans in terms of the National Land Transport Act, 2009 (Act No. 5 of 2009).

Top structures

Balance unspent at beginning of year	323 000	
Current-year receipts	16 121 135	25 557 923
Conditions met - transferred to revenue	(8 972 420)	(25 234 923)
	<u>7 471 715</u>	<u>323 000</u>

Conditions still to be met - remain liabilities (see note 22).

To provide funding for the creation of sustainable human settlements

LGW Seta training

Balance unspent at beginning of year	659 530	725 455
Current-year receipts	711 995	633 082
Conditions met - transferred to revenue	(795 382)	(699 007)
	<u>576 143</u>	<u>659 530</u>

Conditions still to be met - remain liabilities (see note 22).

WCLG Internship grant and capacity building grant

Current-year receipts	<u>180 000</u>	
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Conditions still to be met - remain liabilities (see note 22).

LG financial management support grant

Balance unspent at beginning of year	-	400 000
Current-year receipts	220 000	250 000
Conditions met - transferred to revenue	(220 000)	(250 000)
Other		(400 000)
	<u>-</u>	<u>-</u>

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand

30. Government grants and subsidies (continued)

EPWP

Current-year receipts	1 758 000	1 075 000
Conditions met - transferred to revenue	(1 758 000)	(1 075 000)
	-	-

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:

- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure)
- other economic and social infrastructure
- tourism and cultural industries
- waste management
- parks and beautification
- sustainable land-based livelihoods.

Library grant

Current-year receipts	10 009 000	8 607 000
Conditions met - transferred to revenue	(10 009 000)	(8 607 000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

Housing consumer education

Balance unspent at beginning of year	68 010	68 010
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Conditions still to be met - remain liabilities (see note 22).

Community development support grant

Balance unspent at beginning of year	17 409	-
Current-year receipts	56 000	54 000
Conditions met - transferred to revenue	(73 409)	(36 591)
	-	17 409

Municipal System Improvement Grant

Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-

Spatial Development Framework

Balance unspent at beginning of year	500 000	-
Current-year receipts	400 000	500 000
Conditions met - transferred to revenue	(900 000)	-
	-	500 000

To update the Human Settlements HSP as part of the Built.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand

	2017	2016
31. Fines, penalties and forfeits		
Other fines	38 041	41 993
Traffic fines	100 385 376	92 403 131
Industrial effluent penalty	18 528	159 329
	100 441 945	92 604 453

The comparative figures were restated. Refer to note 58.18.

32. Employee related costs

Acting allowances	1 351 868	1 548 612
Basic	270 605 870	243 074 977
Bonus	18 538 863	16 873 934
Car allowance	11 064 776	10 643 323
Cellphone allowance	750 125	703 688
Group insurance	3 608 100	4 126 249
Housing benefits and allowances	2 143 385	1 921 420
Long-term benefits - incentive scheme	-	21 141
Medical aid - company contributions	18 811 926	16 742 720
Night shift allowance	2 812 631	2 511 580
Cashiers allowance	-	2 283
Overtime payments	22 551 545	19 400 914
Pension fund contribution	39 036 154	36 169 156
Severance package	562 709	-
Standby allowance	10 433 301	8 444 306
Sundry allowance	2 453 823	2 257 426
Termination benefits	173 628	147 915
Travel, motor car, accommodation, subsistence and other allowances	491 942	575 955
UIF	1 796 846	1 667 276
Uniforms	610 790	626 901
WCA	3 190	3 190
	407 801 472	367 462 966

Remuneration of municipal manager

Annual Remuneration	569 390	642 839
Car Allowance	60 000	36 000
Contributions to UIF, Medical and Pension Funds	131 492	134 085
Leave	-	75 176
Telephone allowances	11 400	9 000
	772 282	897 100

Acting allowance paid to acting municipal manager	837 650	780 237
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Remuneration of Chief Financial Officer

Annual Remuneration	1 432 739	1 322 064
Car Allowance	127 318	134 342
Contributions to UIF, Medical and Pension Funds	15 218	13 223
	1 575 275	1 469 629

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

	2017	2016
32. Employee related costs (continued)		
Remuneration of the Director Human Settlements		
Annual Remuneration	914 282	863 874
Car Allowance	130 031	125 517
Performance Bonuses	-	63 934
Contributions to UIF, Medical and Pension Funds	207 751	182 998
Telephone Allowance	15 900	21 000
	1 267 964	1 257 323
Remuneration of the Director Community & Protection Services		
Annual Remuneration	923 844	423 843
Car Allowance	132 000	66 000
Contributions to UIF, Medical and Pension Funds	188 195	86 968
Bonus	29 341	-
Telephone Allowance	15 900	4 500
	1 289 280	581 311
Remuneration of the Director Engineering Services		
Annual Remuneration	184 979	-
Car Allowance	3 800	-
Contributions to UIF, Medical and Pension Funds	2 361	-
Housing Allowance	20 000	-
	211 140	-
Acting allowance paid to Acting Director(s) Engineering Services	77 696	132 376
Remuneration of the Director Strategic & Corporate Services		
Annual Remuneration	327 249	561 183
Car Allowance	51 200	104 718
Contributions to UIF, Medical and Pension Funds	36 230	133 688
Leave	-	44 263
Telephone allowances	5 300	6 000
	419 979	849 852
Acting allowance paid to Acting Director(s) Strategic & Corporate Services	122 193	95 395
Remuneration of the Director Planning & Economic Development		
Annual Remuneration	1 085 991	1 047 519
Car Allowance	159 891	141 387
Contributions to UIF, Medical and Pension Funds	14 048	13 900
Performance bonus	-	116 244
Telephone allowances	15 900	20 703
	1 275 830	1 339 753



Stellenbosch Municipality

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Notes to the Annual Financial Statements

Figures in Rand

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33. Remuneration of Councillors

Executive Mayor	581 639	591 091
Councillors	15 512 810	15 253 155
	<u>16 094 449</u>	<u>15 844 246</u>

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the council.

Executive Mayor	581 639	591 091
Deputy Mayor	440 352	473 269
Speaker	460 825	441 349
Chief whip	414 244	356 770
MPAC chair	209 147	399 671
S79 Chair	85 710	-
Mayoral committee	3 242 655	3 428 643
Councillors	5 311 931	5 027 024
Medical aid contributions	201 945	263 762
Pension fund contributions	384 908	287 985
Travelling allowances	3 703 826	3 614 712
Telephone allowances	902 950	895 743
Data cards	154 317	64 227
	<u>16 094 449</u>	<u>15 844 246</u>

34. Contribution to/from provision

Landfill site	1 536 603	7 857 300
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35. Contribution to allowance to/from provision

Receivable from exchange allowance contribution	1 729 944	(27 601 541)
Receivable from non-exchange allowance contribution	(575 732)	24 412 764
Long term receivables	-	(3 545 805)
	<u>1 154 212</u>	<u>(6 734 582)</u>

36. Depreciation and amortisation

Property, plant and equipment	147 051 613	147 898 900
Investment property	643 396	600 044
Intangible assets	1 444 436	1 053 262
	<u>149 139 445</u>	<u>149 552 206</u>

The comparative figures were restated. Refer to note 58.20.

37. Finance costs

Current borrowings	19 626 895	20 390 548
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38. Contribution to employee benefit obligation

Post-retirement healthcare benefit liability	(2 204 385)	24 141 909
Long service award	4 706 038	4 218 425
Leave gratuity	4 451 652	3 147 745
	<u>6 953 305</u>	<u>31 508 079</u>

Stellenbosch Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
39. Debt Impairment		
Electricity	922 864	414 395
Water	6 996 557	10 021 468
Sewerage	2 112 056	2 973 538
Refuse	2 490 523	3 408 434
Housing Rental	3 909 170	6 032 540
Housing selling schemes	-	1 282 808
Sundries	1 390 989	593 519
Rates	892 488	1 068 315
Traffic fines	63 454 640	57 482 470
	82 169 287	83 277 487

The comparative figures were restated. Refer to note 58.21.

40. Bulk purchases

Electricity	323 673 053	304 375 751
Water	24 154 517	20 400 921
	347 827 570	324 776 672

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the City of Cape Town and Department of Water and Forestry.

41. Contracted services

Operating Leases: Buildings and Equipment	13 205 279	9 812 096
Specialist Services	7 024 653	8 474 048
Other Contractors	29 151 294	31 334 815
	49 381 226	49 620 959

42. Grants and subsidies paid

Grant-in-aid tourism	3 829 500	3 700 000
Grant-in-aid animal welfare	931 500	700 000
Grant-in-aid sundries	2 171 896	1 815 883
	6 932 896	6 215 883

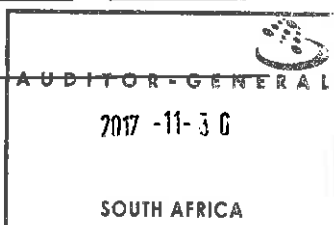
Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
43. General expenses		
3G fixed cost		1 440
Advertising	2 360 379	3 623 557
Ammunition	4 325	2 393
Auditors committee	174 353	228 858
Auditors remuneration	4 501 398	4 404 494
Bank charges	3 482 526	3 106 678
Sanitation	4 426 604	4 551 984
Bursaries	409 249	314 746
Cellphone cost	118 941	139 809
Chemicals	2 080 304	868 111
Cleaning services	1 736 280	1 686 105
Corporate expenses	596 755	633 450
Disaster incidents/ relief aid	2 732 232	2 474 252
Electricity consumption	8 343 000	7 571 904
Entertainment	116 861	110 884
Fuel and oil	10 309 993	9 623 449
Fumigation of buildings	187 845	151 904
Dewatering plant	2 404 474	2 671 955
Hosting of events	953 030	733 676
Housing top structure	11 027 651	26 013 793
Insurance	3 435 732	2 729 340
Internal Investigations	1 373 045	285 895
Internal audit fees	717 277	639 434
Internal consumption expenses	148 656	484 951
Investment administration	101 435	438 791
Legal cost	14 909 175	12 980 112
Licenses fees	7 884 618	5 530 448
Local economic development	883 448	193 995
Magazines, books and periodicals	281 490	193 177
Marketing	49 805	86 508
Membership fees	3 896 716	3 602 879
Nightshelter	515 202	504 315
Office refreshments	903 867	704 205
Other expenses	11 683 834	11 247 839
Postage and courier	1 408 898	1 316 928
Printing and stationery	3 469 926	3 134 268
Professional fees	20 167 383	12 932 543
Property only	3 123 011	2 189 089
Protective clothing	2 417 257	2 483 339
Radio operational cost	1 691 268	1 609 627
Recoverable cost	1 236 705	1 349 258
Recruiting and selecting	60 376	54 679
Refuse bins	154 800	82 000
Registration fees	11 490	518
Remove alien vegetation	33 163	-
Souvenirs	28 015	10 927
Special rating area	4 014 201	3 761 052
Staff welfare	2 390 563	958 104
Stores and materials	1 580 275	1 479 335
Telephone cost	2 314 511	2 383 539
Training	8 569 553	7 550 377
Transfer and survey cost	102 581	166 889
Ward expenses	1 948 877	1 738 449
Workshops, functions and capacity	795 645	1 067 824
Worksmans compensation	2 384 414	2 528 633
Administration costs	(3 417 089)	(2 593 104)
	157 236 323	152 739 605

The comparative figures were restated. Refer to note 58.25



Stellenbosch Municipality

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Figures in Rand

	2017	2016
44. Fair value adjustments		
Gain arising from changes in fair value less costs to sell on biological assets	50 329	(1 442 934)
Other financial assets		
• Discounting of long term receivables	894 891	(4 181 687)
	945 220	(5 624 621)
Movement in discounting of long term receivables		
Opening balance	(4 181 687)	-
Discounting	894 891	(4 181 687)
	(3 286 796)	(4 181 687)
45. Cash generated from operations		
Surplus	213 313 260	151 135 582
Adjustments for:		
Depreciation and amortisation	149 139 445	149 552 206
(Loss) gain on sale of assets and liabilities	(624 925)	890 364
Fair value adjustments	(945 220)	5 624 621
Inventories losses/write-downs	45 009	(34 728)
Impairment deficit	419 479	-
Contribution to allowance for impairment	1 154 212	(6 734 582)
Bad debts written off	82 169 287	83 277 487
Movements in operating lease assets and accruals	(634 459)	(338 391)
Movements in retirement benefit assets and liabilities	(1 516 379)	42 687 289
Movements in provisions	(4 926 235)	(2 629 670)
GRAP 12 infrastructure inventory	6 340 856	4 601 546
Change in restoration	(62 639)	(501 243)
Other non-cash items	-	(18 696 208)
Changes in working capital:		
Inventories	(6 045 610)	(12 991 081)
Other receivables from exchange transactions	(21 794 228)	(9 198 478)
Consumer debtors	(25 431 413)	(2 251 980)
Other receivables from non-exchange transactions	(71 782 454)	(78 010 621)
Payables from exchange transactions	80 127 196	19 538 985
VAT	(8 119 501)	(18 684 405)
Unspent conditional grants and receipts	42 540 189	8 873 500
Consumer deposits	1 385 651	703 176
	434 751 521	316 813 369

Stellenbosch Municipality

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46. Financial assets by category

The financial assets of the municipality are classified as follows:

2017

	Amortised cost	Total
Cash and cash equivalents	299 430 733	299 430 733
Receivables from exchange transactions	91 535 970	91 535 970
Other receivables from exchange transactions	83 979 200	83 979 200
Receivables from non-exchange transactions	66 430 628	66 430 628
Investments	322 475 480	322 475 480
Long term receivables	5 634 405	5 634 405
	869 486 416	869 486 416

2016

	Amortised Cost	Total
Cash and cash equivalents	128 186 991	128 186 991
Receivables from exchange transactions	85 656 660	85 656 660
Other receivables from exchange transactions	62 184 972	62 184 972
Receivables from non-exchange transactions	58 419 570	58 419 570
Investments	480 000 000	480 000 000
Long term receivable	3 575 174	3 575 174
	818 023 367	818 023 367

47. Financial liabilities by category

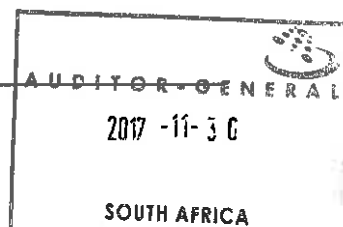
The financial liabilities of the municipality are classified as follows:

2017

	Amortised cost	Total
Consumer deposits	14 577 025	14 577 025
Operating lease liability	1 439 270	1 439 270
Other financial liabilities	186 386 067	186 386 067
Unspent conditional grants and receipts	88 493 433	88 493 433
Payables from exchange transactions	282 087 477	282 087 477
	572 983 272	572 983 272

2016

	Amortised cost	Total
Consumer deposits	13 191 374	13 191 374
Operating lease liability	2 073 729	2 073 729
Other financial liabilities	198 294 362	198 294 362
Unspent conditional grants and receipts	45 953 244	45 953 244
Payables from exchange transactions	201 960 281	201 960 281
	461 472 990	461 472 990



Stellenbosch Municipality

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Company Secretary's Certification

48. Risk management

Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2008.

The capital structure of the municipality consists of debt, which includes the Other financial liabilities disclosed in Note 19, Bank, Cash and Cash Equivalents and Equity in Note 3, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

Financial risk management objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	14 577 025	-	-	-
Operating lease liability	1 439 270	-	-	-
Other financial liabilities	13 083 928	14 501 990	47 184 493	111 615 655
Payables from exchange transactions	282 087 477	-	-	-
Unspent conditional grants and receipts	88 493 433	-	-	-
At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	13 191 374	-	-	-
Operating lease liability	2 073 729	-	-	-
Other financial liabilities	11 908 295	13 083 929	46 116 749	127 185 389
Payables from exchange transactions	201 960 281	-	-	-
Unspent conditional grants and receipts	45 953 244	-	-	-

Risk from biological assets

Stellenbosch Municipality

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Figures in Rand	2017	2016
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48. Risk management (continued)

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

Interest rate risk management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of an allowance for impairment.

In the case of receivables whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of receivables are drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no variable rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Receivables from exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

Stellenbosch Municipality

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Figures in Rand	2017	2016
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48. Risk management (continued)

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Current investment deposit	299 430 733	128 186 991
Short term investments	322 475 480	480 000 000
Receivables from exchange transactions	91 535 970	85 656 660
Other receivables from exchange transactions	83 979 200	62 184 972
Receivables from non exchange transactions	66 430 628	58 419 570
	863 852 011	814 448 193

Foreign currency risk management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

49. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	100 717 109	276 935 974
• Other assets	40 156 665	10 186 626
	140 873 774	287 122 600

Total capital commitments

Already contracted for but not provided for	140 873 774	287 122 600
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Stellenbosch Municipality

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50. Contingencies

Stellenbosch Municipality / Mr & Mrs Pikoko (Erf 2221, Klappmuts)

Instruction to proceed with court order to stop illegal building structure erected on a residential property. Letter of demand drafted and served. Proceeded with drafting of pleading to get court order. Reference: G Potgieter/ A Ras

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Gregory & Belinda Boyd Family Trust (Erf 830 Franschoek) Case Nr: 2897/2016

Instruction to proceed with court order to stop illegal building structure erected on a residential property. Letter of demand drafted and served. Proceeded with drafting of pleading to get court order. Reference: G Potgieter/ A Ras

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Francols Jansen

Instruction to proceed with Eviction application. LOD drafted and forwarded to Sheriff for Urgent service. G Potgieter/ A Ras

Management's estimate of the financial exposure R 45 000.

Stellenbosch Municipality / Christian Goff

Instruction to proceed with Demolition & Eviction application. LOD drafted and forwarded to Sheriff for Urgent service. G Potgieter/ A Ras

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Morris

Instruction to proceed with Eviction application. G Potgieter/ A Ras

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Vynal Investment

Instruction to stop illegal building works and eviction application. G Potgieter/ A Ras

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / T Wasmuth

Instruction to institute eviction application. G Potgieter/ A Ras

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Erf 114 Demolition application
Application for court order to have illegal building demolish.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / A11 Kloof Street Eviction

Application for eviction of unlawful occupants from municipal property served 22/5/2017. Respondents filed Answering Affidavits on 11/7/2017. Settlement negotiations pending. Reference: KVDBERG/S589

Management's estimate of the financial exposure R80 000.

Stellenbosch Municipality / Erf 3043 Demolition Application

Notice of illegal building served on 23/05/2016 and application for court order to have illegal building demolished to be finalised. Reference: KVDBERG/S598

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Erf 3085 Demolition Application

Notice of illegal building served on 23/05/2016. Application for court order to have illegal building demolished to be finalised. Reference: KVDBERG/S599

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality

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50. Contingencies (continued)

Stellenbosch Municipality / Erf 3082 Demolition Application

Notice of illegal building served on 23/05/2016. Application for court order to have illegal building demolished to be finalised. Reference: KVDBERG/S600

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Erf 1162 Demolition Application

Notice of illegal building served on 23/05/2016. Application for court order to have illegal building demolished to be finalised. Reference: KVDBERG/S601

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Erf 3069 Demolition Application

Application for court order to have illegal building demolished served on 8/2/2017. Owner/Occupier applied for approval. Matter pend. Reference: KVDBERG/S602

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Erf 1496 Demolition Application

Notice of illegal building served on 21/05/2016. Application for court order to have illegal building demolished to be finalised. Reference: KVDBERG/S603

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Erf 299 Demolition Application

Notice of illegal building served on 20/05/2016. Application for court order to have illegal building demolished to be finalised. Reference: KVDBERG/S604

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Erf 3073 Demolition Application

Notice of illegal building served on 23/05/2016. Owner/Occupier applied for approval. Matter pend. Reference: KVDBERG/S605

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Klapmuts Mediation

Municipality under obligation to provide emergency housing to evictees of various eviction orders in Klapmuts. Klapmuts community has threatened violence against evictees and destruction of property should municipality proceed to utilise Klapmuts housing facilities for evictees rather than for members of the Klapmuts community. Independent expert mediator appointed to facilitate mediation which is currently pending. Proposal to go to Klapmuts community shortly. Reference: KVDBERG/S613

Management's estimate of the financial exposure R250 000.

Stellenbosch Municipality / Erf 393/7 Vlootenburg

Demolition Application. Notice of illegal building served on 1/11/2016. Owner/Occupier applied for approval. Matter pend. Reference: KVDBERG/S628

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Erf 223

Demolition Application. Notice of illegal building served on 12/12/2016. Owner/Occupier applied for approval. Matter pend. Reference: KVDBERG/S633

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Erf 872 Krigeville

Demolition Application. High Court Application for demolition of illegal building served on 2/8/2017. Respondent filed opposition on 17/8/2017. Next step: Answering Affidavit. Reference: KVDBERG/S638

Stellenbosch Municipality

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50. Contingencies (continued)

Management's estimate of the financial exposure is between R45 000 and R100 000 in respect of costs and disbursements.

Stellenbosch Municipality / Torrey Avenue Jamestown

Mediation. Application for eviction of unlawful occupants from road reserve. Mediation will be finalised shortly. Reference: KVDBERG/S652

Management's estimate of the financial exposure is between R60 000 to R100 000 in respect of costs and disbursements.

Stellenbosch Municipality / Erf 510/538 Stellenbosch

Demolition Application. Notice of illegal building served on 25/11/2016. Founding Affidavit delivered for signature on 21/07/2017. Reference: KVDBERG/S653

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Erf 8462 Cloeteville

Demolition Application Municipality's own notice of illegal building served on 17/01/2016. Application for court order to have illegal building demolished to be finalised. Reference: KVDBERG/S657

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / A & C Michels

Illegal structure erected without approved building plan.

Management's estimate of the financial exposure R55 000.

Stellenbosch Municipality / Lc & F McDilling

Illegal structure erected without approved building plan.

Management's estimate of the financial exposure R55 000.

Stellenbosch Municipality / E Baron

Illegal structure erected without approved building plan.

Management's estimate of the financial exposure R55 000.

Stellenbosch Municipality / M Abrahams

Illegal structure erected without approved building plan.

Management's estimate of the financial exposure R55 000.

Stellenbosch Municipality / Mahall Vineyards

Illegal structure erected without approved building plan.

Management's estimate of the financial exposure R55 000.

Stellenbosch Municipality / Orey

Eviction application.

Management's estimate of the financial exposure R40 000.

Stellenbosch Municipality / Visagie & Tromp

Eviction of illegal occupiers on municipal land.

Management's estimate of the financial exposure R55 000.

Stellenbosch Municipality / Erf 510

Illegal structure erected without approved building plan.

Management's estimate of the financial exposure R40 000.

Stellenbosch Municipality

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50. Contingencies (continued)

Stellenbosch Municipality / S Momoza

Illegal structure erected without approved building plan.

Management's estimate of the financial exposure R40 000.

Stellenbosch Municipality / Dillon Carelse

Eviction application of illegal occupier/s from municipal land.

Management's estimate of the financial exposure R40 000.

Brendel Property Developers / Stellenbosch Municipality

Defending a claim for damages suffered due to the construction of a sewer line over claimant's property and compensation for the servitude registered over the property.

Management's estimate of the financial exposure R300 000.

Stellenbosch Municipality/ Surita and Margaret Layman

Application to set the sale of property aside.

Management's estimate of the financial exposure R130 000.

Ste10/0017 - La Motte - Forensic

Forensic Report - Review Application. This matter is still pending.

Management's estimate of the financial exposure R200 000.

Ste10/0035 – Herman Phelffer

Monetary claim against the Municipality by the former Speaker. This matter is still pending and the attorneys were in the process of obtaining a court date.

Management's estimate of the financial exposure R10 000.

Stellenbosch Municipality / Antic Capital Pty Ltd C/O Jessie Irvin Van Der Merwe

Illegal structure erected. Application for the eviction of the illegal occupiers and demolition of the illegal structure erected.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / De Hollandsche Molen Share Block Ltd C/O Nicolaas Johannes Du Plooy - (Erven 1431/142 Wemmerhoek)

Illegal structures erected without approved building plans. Instruction to demolish the illegal structures.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Frost, Cornelia Margaretha (Owner/Occupier Of Erven 13599 Stellenbosch)

Illegal structure erected without approved building plan. Instruction to apply for a demolition order to have the illegal structure removed.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Urian Groenewaldt & Jacques Francois Swart

Motor vehicle collision in which the municipal traffic lights were damaged.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Mr. G.M. Mrwebi & Mrs. N.V. Mrwebi (Illegal Wall Erected On Erf 795 Kayamandi)

Illegal structure erected without approved building plans. Application for the demolition of the illegal structure.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality

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50. Contingencies (continued)

Stellenbosch Municipality / Mr & Mrs. Xolimbila (Illegal Building Works To Existing House On Erf 1250 Kayamandi)
Illegal building works to existing house on Erf 1250 Kayamandi. Application to demolish the illegal structure.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Andre Adams & Olivia Wilna Adams (Illegal Building Works On Erf 3435 Idas Valley)
Illegal building works on Erf 3435 Idas Valley without approved building plan. Application to demolish the illegal structure.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Amy Family Trust
Illegal deviation from approved building plan for a boundary wall on Erf 6251 Stellenbosch

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Francols Patric Stephanus & Hillary Ronell Stephanus
Illegal wooden structure erected on Erf 5225 Stellenbosch without approved building plan.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Donnewin Christo Lindoor & Ellarise Kayser & Celeste Jolene Williams
Illegal wendy house erected on Erf 7025 Stellenbosch and eviction of illegal occupiers.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / John Valentyn Isaacs & Esmeralda Isaacs
Illegal wendy house erected on Erf 7237 Stellenbosch without approved building plan. Illegal occupiers need to be evicted.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Melanie Petuela Meyer & Keith Aubrey Meyer
Illegal carport erected on Erf 9714 without approved building plan.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Arjoon Singh & Christina Rhona Joan Singh
Illegal building works on Erf 9776 Stellenbosch without approved building plan. Illegal occupiers of the illegal structure need to be evicted as well.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Mr & Mrs Harmse
Illegal wendy house erected on Erf 11711 Stellenbosch without approved building plan. Illegal occupiers need to be evicted as well.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Mr & Mrs Maria Wagner
Illegal wendy house erected on Erf 11723 Cloetessville without approved building plan. The illegal occupiers need to be evicted as well.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Hendrick Charles
Illegal structure erected on Erf 11754 without approved building plan. The illegal occupiers also need to be evicted.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Mr. & Mrs. Cupido
Illegal wendy house erected on Erf 11795 without approved building plan. The illegal occupiers also need to be evicted.

Stellenbosch Municipality

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50. Contingencies (continued)

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Moses Almos Williams & Sara Williams

Illegal wendy house erected on Erf 12848 Stellenbosch without approved building plan. Illegal occupiers need to be evicted.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Mr. Jerome Williams

Illegal building works erected on Erf 13936 Cloetessville without approved building plan. The illegal additions need to be demolished and the illegal occupiers need to be evicted.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Mandisi Parscal Jejane

Illegal structure was erected without approved building plan and the illegal occupiers need to be evicted.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Solomon Mattyse & Anna Mattyse (Erven 510/505 Jamestown)

Illegal wendy house erected without approved building plan. The illegal structure needs to be demolished and the illegal occupiers need to be evicted.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Magdelene Petersen

Eviction of illegal occupiers of municipal property.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Van Rhyn / Paraffin

Motor vehicle collision and damage to traffic lights of the Municipality.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Kirkland Anna Gabrielle – Erf 654 Franschoek

Illegal structure erected without approved building plan and illegal occupiers need to be evicted.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Owners/ Occupiers Of Erf 510/764 Jamestown

Illegal structure was erected without approved building plan. The illegal occupiers need to be evicted as well.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Siyazama Co Construction (Pty) Ltd

Contractor illegally occupied the property leased to a crèche and need to be evicted.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / E Ross & Others

Stellenbosch Municipality have to institute eviction proceedings against the Respondents of the property at 609 Lavanda Flats, Jan Cillier Street, Stellenbosch, due to the Respondents actions. The eviction application is still pending

Management's estimate of the financial exposure R200 000.

Stellenbosch Municipality / Various Residents Encroaching Erf 1771, The Millstream

Encroaching on erf 1771, Millstream, by various residence alongside Heritage site and the Millstream

Management's estimate of the financial exposure R200 000.

Stellenbosch Municipality

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50. Contingencies (continued)

Stellenbosch Municipality / L Bailey & Another

Stellenbosch Municipality have to institute eviction proceedings against the Respondents of the property at 108 Aurora Flats, Jan Cillier Street, Stellenbosch, due to the Respondents actions. The eviction application is still pending

Management's estimate of the financial exposure R200 000.

Stellenbosch Municipality / J Morgan & Others

Stellenbosch Municipality have to institute eviction proceedings against the Respondents of the property at 12 Weber Street, Idas Valley, Stellenbosch, due to the Respondents actions. The eviction application is still pending.

Management's estimate of the financial exposure R200 000.

Stellenbosch Municipality / Phumlomo & Others

Stellenbosch Municipality have to institute eviction proceedings against the Respondents of the property at 03 Mjandana Street, Kayamandi, Stellenbosch, due to the Respondents actions. The eviction application is still pending

Management's estimate of the financial exposure R200 000.

Stellenbosch Municipality / Johnny & Alice Scheepers

sA demolition application was instituted by Stellenbosch Municipality to have the Respondents, demolish the illegal erected structures on Erf 186 Lanquedoc

Management's estimate of the financial exposure R100 000.

Stellenbosch Municipality / Lesten & Ann Sampson

A demolition application was instituted by Stellenbosch Municipality to have the Respondents, demolish the illegal erected structures on Erf 510/339 Jamestown

Management's estimate of the financial exposure R100 000.

Stellenbosch Municipality / Peter & Benita Cyster

A demolition application was instituted by Stellenbosch Municipality to have the Respondents, demolish the illegal erected structures on Erf 1201/31 Johannesburg

Management's estimate of the financial exposure R100 000.

Stellenbosch Municipality / Magdelene Parsons & Others

Illegal structures erected without approved building plans and the eviction of the illegal occupiers of these structures on Erf 579 Klapmuts.

Management's estimate of the financial exposure R100 000.

Stellenbosch Municipality / Verno & Wendy Gordon

A demolition application was instituted by Stellenbosch Municipality to have the Respondents, demolish the illegal erected structures on Erf 2770 Idasvalley

Management's estimate of the financial exposure R100 000.

Stellenbosch Municipality / F & L Erasmus & Others

An eviction application was instituted by Stellenbosch Municipality to have the Respondents, evicted from the property, Erf 4323 Idasvalley, due to the Respondents actions. The eviction application is still pending

Management's estimate of the financial exposure R100 000.

Stellenbosch Municipality // D Lindoor, Gideons & Others

An eviction application was instituted by Stellenbosch Municipality to have the Respondents, evicted from the property, Erf 5281 Idas Valley, due to the Respondents actions. The eviction application is still pending.

Management's estimate of the financial exposure R100 000.

Stellenbosch Municipality

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50. Contingencies (continued)

Stellenbosch Municipality / Montzinger Trust

A demolition application was instituted by Stellenbosch Municipality to have the Respondents, demolish the illegal erected structures on Erf 15539 /34 Welgevonden

Management's estimate of the financial exposure R100 000.

Stellenbosch Municipality // A De Ruiter & Others

An eviction application was instituted by Stellenbosch Municipality to have the Respondents, evicted from the property, Erf 5281 Idas Valley, due to the Respondents actions. The eviction application is still pending

Management's estimate of the financial exposure R200 000.

PHP Building Supplies / Stellenbosch Municipality

Arbitration – pending. Ref: Marcello Ross/AM7844

Management's estimate of the financial exposure R193 696.20.

Fredericksburg Landgoed (Pty) Ltd & Others / Stellenbosch Municipality & Others

This matter, an application in terms of the National Environmental Management Act 107 of 1998 to have a directive issued against the Municipality, has now been partly concluded and only legal costs and disbursements for which the Municipality may be liable for have to be taxed. This has not been done for the past 7 years.

This matter does not involve any amounts claimed. Reference: RB Africa / AE Esterhuizen / 1901064 / 1988215

Management's estimate of the financial exposure R200 000.

Independent Schools Association Of Southern Africa / Ethekwini Municipality / Stellenbosch Municipality & Others

This matter involves an application on behalf of the Municipality to be joined as co-applicant together with eThekweni Municipality in an application for the review and setting aside of the Amended Municipal Property Rates Regulations promulgated on 12 March 2010.

The Municipality has been joined successfully as co-applicant and the parties are in the process of exchanging pleadings. An interlocutory application brought by the National Minister of Finance and National Minister of Co-operative Governance and Traditional Affairs for the variation and/or rescission of a court order regarding the provision of the record and for certain documents to be excluded from the record was set down and heard on 4 August 2014.

Judgment has been delivered and the parties are now in the process of preparing and exchanging supplementary papers. This matter does not involve any amounts claimed. Reference: RB Africa / AE Esterhuizen / 2083835

Management's estimate of the financial exposure R250 000.

John Collin Februarie T/A Jc Solutions / Stellenbosch Municipality This matter involves 3 claims against the Municipality for payment for services rendered.

The amounts claimed are the following:

Invoice 544: R187 193.70;

Invoice 547: R132 553.50;

Invoice 553: R139 273.30;

Plus interest on the amounts claimed at 15.5% per annum a tempore morae.

Summons was served on 13 August 2013 and the Municipality opposed the matter. The Plaintiff brought an Application for Summary Judgment which application has been successfully opposed by the Municipality. Pleadings have now closed. Reference: AE Esterhuizen / S Kgomo / 2411282

Management's estimate of the financial exposure R150 000.

Stellenbosch Municipality

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50. Contingencies (continued)

Fusion Properties 233 Cc / The Municipality Of Stellenbosch

This matter involves a summons issued against the Municipality for alleged damages pursuant to the sale of certain immovable property belonging to the Municipality. The amount claimed are R32 115 000.00 together with interest calculated at the rate of 9% per annum from 28 July 2015. The Municipality is defending the action. Pleadings have now closed. Reference: RB Africa / S Kgomo / 3006430

Management's estimate of the financial exposure R500 000.

Stellenbosch Municipality / Entourage Erf 1251

The owner of Erf 1251 Stellenbosch allows the property to be utilised in contravention of the noise control regulations. Motion Application was filed at Court, waiting for return of service. Court date 14 September 2017. STB1/0002

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality/ Contravention of noise regulations: Entourage

Cause the cessation of illegal activity. Interdict application filed, round table discussions during November 2017 STB1/0010.

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Of Erf 8851 Stellenbosch

Illegal structure erected on the property without approved building plan. Departure application was approved, but no building plans received by Building Department. Will commence with demolition application. STB1/0012

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Of Erf 8852 Stellenbosch

The illegal structure was erected on Erf 8852 Stellenbosch without approved building plan. STB1/0030

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Of Erf 12479 Stellenbosch

Admission of guilt was paid at illegal structure erected without approved building plan. STB1/0016

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Of Erf 109 Klipmuts

Illegal structure erected without approved building plan. STB1/0106

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Of Erf 4691

Illegal structure erected on Erf 4691 without approved building plan. STB1/0097

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Of Erf 4558

Illegal structure erected without approved building plan. STB1/0026

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Of Erf 5263

Illegal structure erected without approved building plan. STB1/0015

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Of Erf 2924

Illegal structure erected without approved building plan. STB1/0031

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

50. Contingencies (continued)

Stellenbosch Municipality / Owners Of Erf 3292

Illegal structure erected on Erf 3292 without approved building plan. STB1/0013

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Of Erf 428 Klipmuts

Illegal structure erected without approved building plan. STB1/0109

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Of Erf 638 Klipmuts

Illegal structure erected without approved building plan. STB1/0108

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Erf 962 Klipmuts

Illegal structure erected without approved building plan. STB1/0105

Stellenbosch Municipality / Owners Of Erf 424 Klipmuts

Illegal structure erected without approved building plan. STB1/0107

Management's estimate of the financial exposure R58 000.

GD Wallace No / Stellenbosch Municipality

Filed notice of intention to defend and Notice of Bar to file their declaration. Haven't received anything from Plaintiff's attorneys so far. Not requesting that matter be placed on roll, as Stellenbosch Municipality is Defendant. STB1/0110

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Of Erf 13711 Welgevonden

Illegal structures erected without approved building plan. STB1/0098

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Of Erf 1876 Kayamandi

Illegal structure erected without approved building plan. STB1/0086

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Of Erf 90/52

Illegal structure erected without approved building plan. STB1/0068

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Erf 6604 & 6605

Illegal structure erected without approved building plan. STB1/0018

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Owners Erf 1902

Illegal structure erected without approved building plan. STB1/0021

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

50. Contingencies (continued)

IMATU VS SALGA/SAMWU

The South African Local Government Bargaining Council issued an arbitration award to the effect that municipalities must implement an additional 3% medical aid employer contribution towards their employees medical aid premiums. The arbitration award is applicable for the 12 months ending June 2017. The South African Local Government Association has confirmed that they will take the arbitration award on review to the Labour Court on behalf municipalities. Given that the Labour Court may only hear the matter in 2018, it is impossible to ascertain the potential outcome of the matter at year end. Given the outcome uncertainty, our potential exposure is R745,000.00 approx.

An amount of R160 073.43 was levied for interest and penalties by the Compensation Fund for periods before 2012. The amount represents interest and penalties levied for late payments. The municipality did not pay the interest and penalties because based on the available information; the municipality received the return of earnings late from the Compensation Fund. The municipality has requested the remittance of the interest and penalties in January 2015, but as at reporting date, the municipality did not receive a response from the Compensation Fund. It is the municipality's view that if we did not receive the return of earnings late, the payments would not have been affected after the due dates and no interest and penalties would have been charged. As we have not received a response from the Compensation Fund, we are unable to determine the amount of interest and penalties payable, if any.

51. Related parties

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in a note to the annual financial statements.

Compensation of related parties

Compensation of key management personnel and councillors is set out in notes 32 and 33 respectively, to the annual financial statements.

Awards to close family members of persons in the service of the state:

Jacko's Cleaning and Projects

Services to the value of R2 000

<u>Spouse</u>	<u>State Department</u>
SW Jack	Department of Local Government (Stellenbosch Municipality)

Aurecon South Africa (Pty) Ltd

The appointment of consulting engineers for professional civil engineering services for various projects, to the value of R 7 299 908.28

<u>Spouses, Child or Parent</u>	<u>State Department</u>
HC Ahlschlager	Special Investigating Unit, Legal Representative; Spouse
B Alheit	Denel Dynamics; Executive Manager - Business Development; Parent
CMM Barnard	Gauteng Department of Education; Deputy Principal; Spouse
CJ Barry	City of Cape Town; Transport Department; Directorate: Transport, Roads and Stormwater; Head: Finance: Parent.
Prof CJG Bender	University of Johannesburg; Professor; Spouse
J Blackmore	Department of Public Works; Project Manager; Parent

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

51. Related parties (continued)

T Botha	Oudtshoorn Municipality; Technical Manager; Parent
Councillor JJJ Daniels	West Coast District Municipality; Deputy Mayor; Parent
MC Dunga	South African Navy; Engineer in Training; Spouse
WZ Erasmus	Cape Nature; Program Manger; Spouse
HG Esterhuysen	West Coast District Municipality; Senior Manager - Roads, Parent
N Geldenhuys	Transnet Port Terminals, Mechatronic Engineer, Son
Dr Y Goga	Nkosi Albert Luthuli Hospital; Senior Specialist - Paediatric Haematology; Sister
T Govender	Umgeni Water: Fleet Maintenance Administrator - Asset Management; Daughter
N Grobbelaar	Central University of Technology; Department Civil Engineer; Programme Manager; Spouse
SM Grobbelaar	Northern Cape Department of Cooperative Governance; Human Settlements and Traditional Affairs; Town and Regional Planner; Parent
Cr B Groenewald	Twaing Municipality; North West: Councillor; Parent
Cr CP Herbst	Dr Ruth S Mompoti District Municipality; North West; Councillor; Parent
E Herloldt	Manager Investigation Services, Limpopo Dept of Economic Development Environment & Tourism
A Heyns	Stellenbosch Municipality; Assistant Superintendent - Workshop Engineering Department; Parent
JH Higgs	SARS; Regional Manager; Spouse
A Hougaard	Department of Correctional Services; Principle Network Controller; Spouse
J Jacobs	Eastern Cape Department of Education; Personal Assistant to Chief Director; Spouse
T Kholoanyane	Naledi Local Municipality; Free State; Tourism Manager; Spouse
J Jacobs	Eastern Cape Department of Education; Personal Assistant to Chief Director; Spouse
ZE Khosa	Ekurhuleni Metropolitan Municipality; Technician; Brother
B Kleynhans	Hessequa Municipality; Accountant; Parent
Cr BJ Kriegler	Cape Winelands District Municipality & Breede Valley Municipality; Western Cape; Councillor; Parent
RG Madikizela	Auditor General South Africa; Assistant Manager; Brother
M Marques	Department of Home Affairs; Deputy Director; Spouse
RT Mehlala	Eastern Cape Arts and Culture Council; Chief Executive Officer; Parent

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

51. Related parties (continued)

R Meyer	Telkom SA; Project Manager; Parent
AJ Moore	Department of Water Affairs; Chief Engineer; Parent
K Nadasen	National Department of Public Works; Director: Key Account Management;
R Nair	eThekwin Municipality; Building Inspector; Parent
D Ntsebeza	Buffalo City Metropolitan Municipality, Spouse
M Ntsebeza	Intsika Yethu Municipality, Cousin
N Ntsebeza	Intsika Yethu Municipality, Cousin
NH Ntsebeza	Eastern Cape Department of Health, Parent
SM O 'Connell	Sol Plaatje Municipality; Librarian; Spouse
JF Phillips	Northern Cape Department of Economic Development and Tourism; Manager - Township Revitalisation; Spouse
K Nadasen	National Department of Public Works: Director - Key Account Management
PS Pretorius	Sol Plaatje Municipality; Chief Officer - Community Services; Parent
JH Riekert	SA Reserve Bank; Engineering ; Spouse
JM Robertson	Ekurhuleni Metropolitan Municipality; Roads Engineer; Parent
G Saaiman	Auditor General Kimberley; Junior Manager; Son
JJ Saaiman	Armcor; Quality Manager; Parent
J Scheepers	Council for Medical Schemes; Chief Financial Analyst; Spouse
EM Schon	Northern Cape Department of Cooperative Governance; Human Settlements and Traditional Affairs; Assistant Manager; Spouse
S Seegers	City of Cape Town; Head of Security Architecture; Sister
Dr M Skead	Nelson Mandela Bay Metropolitan University; Senior Manager - Staff Development; Wife
R Tebane	Ekurhuleni Metropolitan Municipality; Executive Manager; Parent
K Thamaga	South African Defence Force; State Accountant; Brother
J Theron	Nelson Mandela Bay Metropolitan University; Head: Graduate School Relations; Spouse
F Tialang	North West Department of Education; Quality Assurance; Sister
GJ Tong	North West Department of Finance; Deputy Director; Parent
N Towers	Department of Mineral Resources; Inspectorate of Mines - Health and Safety; Western Cape Region; Parent

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

51. Related parties (continued)

J Tredoux	Department of Water Affairs; Deputy Director - Accounts Payable; Spouse
A Treurnich	Umjindi Municipality; Community Services; Assistant Director; Parent
M Van Rensburg	Eskom; Executive at Transmission Department; Father-in-Law
AN Van Taak	Stellenbosch Municipality, Director- Water and Sewerage, Father
ZC Venter	Eastern Cape Department of Health; Deputy Director - Employment Relations; Spouse
PC Vermeulen	City of Cape Town; Superintendent - Building Maintenance; Parent
J Wilkins	Correctional Service; Vice Director - Provincial; Parent
NS Wolmarans	IDC; Senior Accounts Manager; Spouse
NS Wolmarans	University of Johannesburg; Professor; Spouse
SW Zulu	KwaZulu Natal Department of Health; Human Resource Manager; Parent

ARB Electrical Wholesalers (Pty) Ltd

The supply and delivery of goods and material under the Annual Tender: Electrical, to the value of R 62 065.46

<u>Spouse</u>	<u>State Department</u>
Jacob Modise	ESKOM Holdings: Non Executive Director and Road Accident Fund (RAF); CEO

Bergstan South Africa

Services, to the value of R 459842.24

<u>Spouse</u>	<u>State Department</u>
C Beukus	Department of Social Development

Kemanzi (Pty) Ltd

Supply of water treatment chemicals and application expertise to the value of R 724 400.57.

<u>Spouse</u>	<u>State Department</u>
J N Du Toit	City of Cape Town

CSM Consulting Services

Services, to the value of R 214 087.44

<u>Child</u>	<u>State Department</u>
Andre Vancoillie	Department of Environmental Affairs and Development Planning

Exeo Khokela Civil

Civil Engineering construction services to the value of R 14 223 699.96

<u>Child</u>	<u>State Department</u>
T Meyer	Education department

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

51. Related parties (continued)

Angra Tours

Transportation services to the value of R 4000

<u>Spouse</u>	<u>State Department</u>
Zelda Louise Cloete	Stellenbosch Municipality

Red Hills Electronics

Services, to the value of R1 751 603.1.

<u>Spouse</u>	<u>State Department</u>
Lizelle Hartley	Department of Education

Milhon HVAC

Repairs and replacements on air conditioners, to the value of R 241 906.27

NCC Environmental Services (Pty) Ltd

Services, to the value of R 11897.04

<u>Spouse</u>	<u>State Department</u>
Chandre Rhode	Department of Local Government (City of Cape Town)

Helderberg Business

IT related services, to the value of R 13 444.

<u>Spouse</u>	<u>State Department</u>
Nicoli Hichert	Department of Agriculture

Rhode Bros Steel Pro

Steel manufacturing services to the value of R 400 958.

<u>Child</u>	<u>State Department</u>
Dan Rhode	SAPS

Flowers in the Foyer

Services, to the value of R 8 600

<u>Spouse</u>	<u>State Department</u>
E Gunter	Other Government Department

Silver Solutions 1765

Accounting and business consultants to the value of R 25 000

<u>Spouse</u>	<u>State Department</u>
Dorothy Simpson	Education department

Element Consulting

Engineering services to the value of R 127 695.75

<u>Spouse</u>	<u>State Department</u>
Mrs S Pienaar	Department of Local Government



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

51. Related parties (continued)

Payless Fitment Centre

Services, to the value of R 36 982

<u>Spouse</u>	<u>State Department</u>
R Olivier	Department of Social Development

Idas Valley Cleaning Solutions

Services, to the value of R 288 570

<u>Child</u>	<u>State Department</u>
Gaylene Jonkers	Department of Local Government (Stellenbosch Municipality)
Cherilene Jonkers	Department of Local Government

Idas Valley Service Centre

Services, to the value of R 120 108.13

<u>Spouse</u>	<u>State Department</u>
Jene Bergstedt	Department of Local Government (Stellenbosch Municipality)

iKapa Reticulation and flow

Services, to the value of R 1 601 233.90

<u>Child</u>	<u>State Department</u>
Sophia Davids	Department of Education

Isuzu Truck Centre (Pty) Ltd

Services, to the value of R 46 182.19

<u>Spouses</u>	<u>State Department</u>
Errol Jacobs	Department of Local Government

Smec South Africa (PTY) Ltd

Consulting services to the value of R174 648

<u>Spouses, Child or Parent</u>	<u>State Department</u>
Yvonne Phosa	Department of the premier

Altimax (Pty) Ltd

Consultants and advisors to the value of R 531 468

<u>Spouses, Child or Parent</u>	<u>State Department</u>
Isak Dirk Joubert (Spouse)	Education department
Agnes Muller (Spouse)	Department of Social Development
Julyan Muller (Parent)	Department of Social Development

AECOM SA (PTY) LTD

Professional services to the value of R 4 130 270.51

<u>Spouses, Child or Parent</u>	<u>State Department</u>
Sandra	Bloem water; Mother
Lida Mudde	Department of Education; Sister



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

51. Related parties (continued)

Allison Powell	Department of Education; Wife
Lynette Wolff	Department of Education; Wife
Mareli Els	Department of Education; Niece
Christoff Marais	Department of Health; Brother
Marietjie Breytenbach	Eendracht Primary School; Wife
Andre Rossouw	ESKOM; Son
Rowan Seath	ESKOM; Brother
JHS Viljoen	ESKOM; Brother-in-Law
Alison Mahomed	eThekweni Municipality; Wife
Roelof Meyer	Grey College; Father
Elmarie Venter	Gauteng Education Department; Wife
Carol Van der Merwe	Protea Park Primary School; Wife
JHS Viljoen	SA Air Force- Waterkloof; Husband
Toy Le Grange	SA Defence Force- Medical Services; Nephew
JC Van der Walt	SANRAL; Father
Timothy Liversage	Transnet; Husband
Frikkie Koekelenberg	Transnet; Nephew
Gary Powell	University of Cape Town; Brother
Marius M Lund	University of Cape Town; Brother
Rona Newark	University of Stellenbosch; Sister
Pamela de Waal	University of Pretoria; Wife
Anele de Wet	UNISA; Wife
Nico Botha	UNISA; Brother

Conlog (PTY) LTD

Services, to the value of R 1 806 441.38

<u>Spouse</u>	<u>State Department</u>
N Moodley	Department of Health

Rhotec

Services, to the value of R 166 413.78

<u>Spouses, Child or Parent</u>	<u>State Department</u>
Patricia Rhode	Education Department

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

51. Related parties (continued)

EM and EN Caterers

Services, to the value of R 780

<u>Child</u>	<u>State Department</u>
Kieran Davids	Stellenbosch Municipality

CJV Toilet Paper

Services, to the value of R 3 863

<u>Spouses, Child or Parent</u>	<u>State Department</u>
Director	Department of Local Government

Steven Happle

Services, to the value of R 372 890

<u>Spouses, Child or Parent</u>	<u>State Department</u>
Franciska Happle	Department of Local Government (City of Cape Town)

G and G Maintenance

Services to the value of R 332 820

<u>Parent</u>	<u>State Department</u>
Gaiwan Bradford Gabriels	Department of Local Government

Novus3 (Pty) Ltd

Services, to the value of R 1 870 740

<u>Spouses, Child or Parent</u>	<u>State Department</u>
M De Vries	Education Department
J Scheepers	Council for Medical Schemes

Landfill Consult (Pty) Ltd

Consulting Services, to the value of R 688 660.78

<u>Spouse, Child or Parent</u>	<u>State Department</u>
MM Dube	DICRO

Man 4 Trading (Pty) Ltd

Services, to the value of R 93 370

<u>Spouse</u>	<u>State Department</u>
MS Samuels	Education Department

Blue Planet Trading

Services, to the value of R 61 382.08

<u>Parent</u>	<u>State Department</u>
W De Kock	Stellenbosch Municipality

ARCUS GIBB

Services to the value of R 173 149.13

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

51. Related parties (continued)

<u>Spouse</u>	<u>State Department</u>
Britt September	City of Cape Town

ELT B Construction

Services to the value of R 66 670

<u>Spouse</u>	<u>State Department</u>
Lorelley Adams	Department of Local Government

ME Grow Mega Construction

Services to the value of R 87 390

<u>Aunt</u>	<u>State Department</u>
J Sampson	Stellenbosch Municipality

Stellenbosch Hospice

Services to the value of R 40 000

<u>Spouse</u>	<u>State Department</u>
L Esau	Department of Local Government

Massamatic (Pty) Ltd

Services to the value of R 245 709.66

<u>Brother In law</u>	<u>State Department</u>
Mr Barnard	Department of Health

Mpumamanzi Group CC

Services to the value of R 228 527.55

<u>Parent</u>	<u>State Department</u>
Erna Bouwers	Department of Health

Appolis Rashaad

Services to the value of R 760

<u>Spouse</u>	<u>State Department</u>
J Sampson	Stellenbosch Municipality

EAM 73 Enterprises

Services to the value of 217 710

<u>Spouse</u>	<u>State Department</u>
Ms Meyer	Education Department

MA Johnson T/A TC Events

Services to the value of R 40 000

<u>Child</u>	<u>State Departments</u>
Lincoln Johnson	Other Government Departments

MZR Electrical and Building (PTY) LTD



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

51. Related parties (continued)

Services to the value of R 337 600

<u>Spouse</u>	<u>State Department</u>
Judith Delicia Rosenberg	Department of Local Government

Sowerby Engineering

Services to the value of R 484 623.12

<u>Spouse</u>	<u>State Department</u>
J Scheepers	Education Department

SMS ICT CHOCE (PTY) LTD

Services to the value of R 1 533 216.44

<u>Spouse</u>	<u>State Department</u>
Mrs Maqula	Department of Health

Mindspring Computing

Services to the value of R 73 645.94

<u>Spouse</u>	<u>State Department</u>
Rahima Loghdey	Other Government Departments

Dennis Moss Vennoots

Services to the value of R 4 987.50

<u>Spouse</u>	<u>State Department</u>
SW van der Merwe	Stellenbosch Municipality

HJ Productions

Services to the value of R 23 850

<u>Spouse</u>	<u>State Department</u>
Director	Department of Agriculture

Slpakhame Skills Development

Services to the value of R 414 480

<u>Spouse</u>	<u>State Department</u>
Ntobeko Vacu Drake	Department of Local Government (Drakenstein Municipality)

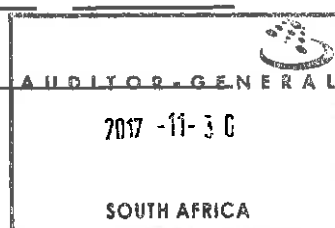
52. Events after the reporting date

Management is not aware of any material event which occurred after the reporting date and up to the date of this report.

53. Unauthorised expenditure

Human settlements and property management
Municipal manager

	41 991
2 175	
<u>2 175</u>	<u>41 991</u>



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

53. Other Income (continued)

Overspending on non-cash items namely Depreciation, Debt Impairment and Contributions to Provisions contributed to the overspending per vote for the year under review. These line items were budgeted for but expenditure was more than anticipated, this does not constitute physical outflows of cash but is deemed unauthorised in terms of National Treasury MFMA Circular no 68: Unauthorised, Irregular, Fruitless and Wasteful Expenditure dated 10 May 2013.

54. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure for the year under review.

55. Irregular expenditure

Opening balance	17 057 014	4 984 608
Add: Irregular Expenditure - current year	1 268 704	12 072 406
Less: Amounts condoned	(2 813 237)	-
	<u>15 512 481</u>	<u>17 057 014</u>

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Opening balance	-	315 317
Council subscriptions	4 325 993	3 804 560
Amount paid - current year	(4 109 693)	(3 800 235)
Early settlement discount	(216 300)	(319 642)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

Audit fees

Opening balance	11 200	8 769
Current year Audit Fee	4 501 398	4 977 757
Amount paid - current year	(4 385 224)	(4 966 557)
Amount paid - previous year	(11 200)	(8 769)
Balance Unpaid (Included in Creditors)	<u>116 174</u>	<u>11 200</u>

VAT

VAT receivable	<u>40 139 579</u>	<u>32 020 078</u>
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All VAT returns have been submitted by the due date throughout the year.

The total VAT paid for the year amounts to R 10 028 919 (2016: R 7 740 234).

The comparative figures were restated. Refer to note 58.4.

PAYE and UIF

Current year Payroll Deductions	(61 103 642)	(56 905 764)
Amount paid - current year	<u>61 103 642</u>	<u>56 905 764</u>
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

Pension and Medical Aid Deductions

Current year Payroll Deductions and Council Contributions	92 657 686	94 882 879
Amount paid - current year	(92 657 686)	(94 882 879)
Balance Unpaid (Included in Creditors)	<u>-</u>	<u>-</u>

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures In Rand

56. Additional disclosure in terms of Municipal Finance Management Act (continued)

Distribution Losses

In terms of section 125(2)(d)(i) of the Municipal Finance Management Act, the municipality experienced the following distribution losses for the year under review:

Distribution Losses	Electricity (KWH)	Water (KL)
Purchases	385 849 824	12 220 307
Sales	(362 319 081)	(9 571 924)
Distribution loss	23 530 743	2 648 383

Electricity losses are calculated as 6.10% . Electricity losses are within the industry norms.
Water losses are calculated as 21.7%. Water losses are within the industry norm.

57. Multi-employer retirement benefit information

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Pension Fund and the South African Municipal Workers Union National Provident Fund are defined contribution plans, whereas the other funds are defined benefit plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of **R 6.9 million** (2016: **R 31.5 million**) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement funds have been valued by making use of the discounted cash flow method of valuation.

DEFINED BENEFIT SCHEMES

SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2015 revealed that the assets of the fund amounted to R 13 231 200 000 (30 June 2014 : R 12 658 200 000), with funding levels of 100% (30 June 2014: 100%). The highest contribution rate paid by the members was 7.92% and by Council 20.78%.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

57. Multi-employer retirement benefit information (continued)

It is the actuary's opinion that:

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

LA retirement Fund (Previously Cape Joint Pension Fund)

The Cape Joint Pension Fund is a multi employer plan and the contribution rate payable is 27%, 9% by the members and 23.06% (period 1 February 2012 - 30 June 2014) and 26.77% (period 1 July 2014 - 30 June 2015) by their Councils. The actuarial valuation report at 30 June 2016 disclosed and actuarial valuation amounting to R 2 037 843 000 000 (30 June 2015: R 2 136 012 000), with a nett accumulated surplus of R 67 791 000 (2015: R28 015 000), with a funding level of 103.5% (30 June 2015: 101.4%)

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

57. Multi-employer retirement benefit information (continued)

DEFINED CONTRIBUTION SCHEMES

LA Retirement Fund (Previously Cape Joint Pension Fund)

The actuarial valuation report at 30 June 2016 indicated that the defined contribution scheme of the fund is in a sound financial position, with an assets amounting to R 1 960 970 000 (30 June 2015 : R 01 932 720 000), net investment reserve of R 0 (30 June 2015 : R 0) and a funding level of 100% (2015 : 100%).

The actuary concluded that:

- The Pensioner account has a funding level of 103.5% with a surplus of R67.8 million and is in a sound financial condition as at the valuation date.
- There is a surplus of R49.1 million in The DB Section excluding The surplus in The Pensioner Account. The surplus has been allocated to The Pensioner Account.
- The overall funding level in respect of the DB Section including the Pensioner Account is 106.1% with a surplus of R116.9 million.

The DC Section has a funding level of 100.0% and is in sound financial position.

Overall the fund is in a sound financial condition with a surplus of R116.9 million and the overall funding level of 103.0%.

The Trustees awarded a 4% pension increase effective 1 January 2017.

It is to be noted that:

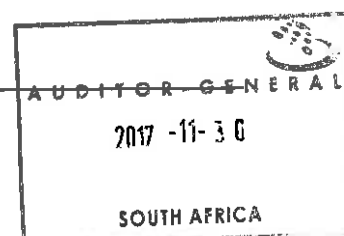
- All the active members have now all been converted to the DC Section.
- There is no longer any contribution rate shortfall as this only applied to 29 residual DB Section active members, that have now also converted to the DC Section and
- Both the DC Section and the DB Section were fully funded as at the valuation date.

The actuary certified The Pensioner Account was 103.5% funded with a surplus of R68 million and is in a sound financial condition. The funding level in respect of the DB active members was 0% with a surplus of R49 million. The DB Section is in a sound financial condition and the DC Section has a funding level of 100% and is in a sound financial condition. Overall the Fund is in a sound financial condition with a surplus of R117 million and an overall funding level of 106.1%. The nature of the assets is suitable for the Fund, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this class. The assets are appropriately matched relative to the term and nature of the active member liabilities. The Fund's investment strategy is suitable. Finally the risk benefits are partially re-insured and this is appropriate for the size and nature of the Fund.

Cape Joint Retirement Fund

The statutory valuation performed as at 30 June 2016 revealed that the assets of the fund amounted to R 20 075 000 000 (30 June 2015 : R 18 322 177 000), with funding levels of 118% and 100% (30 June 2015 112.1% and 100%) for the Share Account and the Pensions Account respectively. The Preservation Pension Account showed a surplus of R 0 and was 100% funded for both 2016 & 2015. The contribution rate paid by the members (7.50%/9%) and the municipalities (19.50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

Municipal Councillors Pension Fund



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

57. Multi-employer retirement benefit information (continued)

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R 2 551 861 000 (30 June 2014 : R 2 229 410 000), with funding levels of 101%.08 (30 June 2014 : 98.83%). The contribution rate paid by the members (13.75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

South African Municipal Workers Union National Provident Fund

The SAMWU National Provident Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R 6 574 775 000 (30 June 2011 : R 4 021 622 000), with funding levels of 111.7% (30 June 2011: 111.1%). The investment smoothing reserve has remained unchanged at 4.6% of the market value of assets (or 5.5% of members' Fund Credits and the data reserve). The actuary certified that based on the 2014 valuation the Fund's assets are sufficient to cover the members' Fund Credits, Risk Benefits Reserve and the Data Reserve and to provide for an investment smoothing reserve of 5.55% of members' Fund Credits as at 30 June 2014. In addition, there is a substantial surplus of some R689.1 million. The Fund is therefore in a very sound financial position.

National Fund for Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R 10 050 029 000 (30 June 2011 : R 9 031 759 000), with funding levels of 100.42% (30 June 2014: 100.10%). The actuary certified that the assets of the fund are sufficient to cover 100.42% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

58. Prior period errors

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications had on the amount previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amount involved.

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	128 186 992	(1)	-	128 186 991
Receivables from exchange transactions	84 833 702	822 958	-	85 656 660
Other receivables from exchange transactions	59 372 543	2 461 708	350 721	62 184 972
Inventories	34 658 109	-	-	34 658 109
Receivables from non-exchange transactions	60 051 157	(1 631 587)	-	58 419 570
VAT receivable	32 262 026	(241 948)	-	32 020 078
Long term receivable	1 387 174	-	-	1 387 174
Short term investments	480 000 000	-	-	480 000 000
	880 751 703	1 411 130	350 721	882 513 554
Non-Current Assets				
Biological assets that form part of an agricultural activity	8 907 000	-	-	8 907 000
Investment property	413 958 231	10 307 722	-	424 265 953
Property, plant and equipment	4 173 691 900	3 529 037	-	4 177 220 937
Intangible assets	6 777 133	70 511	-	6 847 644
Heritage assets	724 002	-	-	724 002
Long term receivable	2 188 000	-	-	2 188 000
	4 606 246 266	13 907 270	-	4 620 153 536
Total Assets	5 486 997 969	15 318 400	350 721	5 502 667 090
Liabilities				
Current Liabilities				
Consumer deposits	13 191 374	-	-	13 191 374
Employee benefit obligation	39 327 768	-	-	39 327 768
Operating lease liability	2 074 649	(920)	-	2 073 729
Other financial liabilities	11 908 295	-	-	11 908 295
Provisions	6 812 128	-	-	6 812 128
Payables from exchange transactions	203 602 923	(1 993 363)	350 721	201 960 281
Unspent conditional grants and receipts	46 820 691	(867 447)	-	45 953 244
	323 737 828	(2 861 730)	350 721	321 226 819
Non-Current Liabilities				
Other financial liabilities	186 386 067	-	-	186 386 067
Employee benefit obligation	207 825 478	20 743 303	-	228 568 781
Provisions	76 283 251	-	-	76 283 251
	470 494 796	20 743 303	-	491 238 099
Total Liabilities	794 232 624	17 881 573	350 721	812 464 918
Net Assets	4 692 765 345	(2 563 173)	-	4 690 202 172

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

58. Prior period errors (continued)

Net Assets

Accumulated surplus	4 692 765 345	(2 563 172)	4 690 202 173
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58.1 Receivables from exchange transactions

Balance previously reported	84 833 702
Housing rental	822 958
	<u>85 656 660</u>

The municipality signed an agreement in 2008 for the transfer of 80 housing selling scheme / rental units to the municipality. The transaction was to recognise the rental debts, bad debt provisions and all other accounts affected by the transaction.

58.2 Other receivables from exchange transactions

Balance previously reported	59 372 543
Deposits	253 476
Insurance debtor	287 298
Prepayments clearing of suspense account	(19 288)
Parking debtor - reclassified from payables from exchange transactions	193 507
Legal fees payable - reclassified to payables from exchange transactions	157 214
Other receivables clearing of suspense accounts	(359 748)
General expenses	(3 222)
Other receivable - housing rental	2 303 192
	<u>62 184 972</u>

The payment to the supplier was accounted for in the correct accounting period in terms of the accrual basis of accounting.

Eskom deposits were increased with the interest amounts as per the IT3B forms received.

Insurance debtor were corrected, as the excess payments made reduced the debtor. Recognition of an insurance debtor for the amount claimed relating to a claim submitted to the insurance company in the 2015/16 financial year.

Parking debtor had a debit balance in payables from exchange transactions and was reclassified correctly. the same applies to legal fees payable that had a credit balance which formed part of other receivables from exchange transactions.

A data cleansing exercise was done, for the clearing of all suspense accounts due to the mSCOA implementation.

The municipality signed an agreement in 2008 for the transfer of 80 housing selling scheme / rental units to the municipality. The transaction was to recognise the rental debts, bad debt provisions and all other accounts affected by the transaction.

58.3 Receivables from non-exchange transactions

Balance previously reported	60 051 157
Government grant and subsidies	161 918
Traffic fines	(1 793 505)
	<u>58 419 570</u>

The accounting transaction for the government grants and subsidies were incorrectly processed in the prior year on the financial system.

The municipality uses TMT as the service provider for the administration of traffic fines. When the municipality requested the 2016/17 traffic fine information, it came to our attention that the prior years information changed and therefore we had to process a journal in the financial system to reflect the amendments.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

58. Prior period errors (continued)

58.4 VAT receivable

Balance previously reported	32 262 026
Payables from exchange transactions	(241 948)
	<u>32 020 078</u>

A data cleansing exercise was done for the clearing of all suspense accounts due to the mSCOA implementation.

58.5 Property, plant and equipment

Balance previously reported	4 173 691 900
Payables from exchange transaction - retention correction	(644 105)
Depreciation	3 164 218
Accumulated surplus - depreciation	(445 076)
Accumulated surplus - take on assets	1 454 000
	<u>4 177 220 937</u>

Retention correction was done to reduce the asset in line with the reduction in the retention provision amount.

Assets with zero book value identified were corrected retrospectively.

Vacant land for future development was not accounted for in the fixed asset register.

58.6 Intangible assets

Balance previously reported	6 777 133
Depreciation	70 511
	<u>6 847 644</u>

Assets with zero book value identified were corrected retrospectively.

58.7 Investment property

Balance previously reported	413 958 231
Recognition of housing rental units	10 655 180
Depreciation	(347 458)
	<u>424 265 953</u>

The municipality signed an agreement in 2008 for the transfer of 80 housing selling scheme / rental units to the municipality. The transaction was to recognise the investment property relating to the rental units.

Depreciation had to be accounted for on the recognition of the investment property on the cost model.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

58. Prior period errors (continued)

58.8 Payables from exchange transactions

Balance previously reported	203 602 923
Property plant and equipment - retention	(645 021)
Other income - impounded vehicles	(58 450)
Agency services - correction of unallocated funds	(640 095)
Other receivables from exchange transactions - parking debtor reclassified	193 507
Other receivables from exchange transactions - legal fees payables reclassified	157 214
Contracted services	(292 690)
Repairs and maintenance	(10 000)
VAT receivable	(241 629)
Accumulated surplus - clearing of suspense accounts	(916)
General expenses - clearing of suspense accounts	(104 562)
	201 960 281

Retention correction was done to reduce the asset in line with the reduction in the retention provision amount.

Recognition of revenue as no claim was established within one year from the date of the sale of impounded vehicles. In accordance with the rules of the road, such balance shall be forfeited to the authority concerned.

Correct allocation of receipts relating to agency services.

Parking debtor had a debit balance in payables from exchange transactions and was reclassified correctly. the same applies to legal fees payable that had a credit balance which formed part of other receivables from exchange transactions.

A data cleansing exercise was done for the clearing of all suspense accounts due to the mSCOA implementation.

58.9 Unspent conditional grants and receipts

Balance previously reported	46 820 691
Accumulated surplus- recognition of conditional grant	(867 447)
	45 953 244

The conditional grant was utilised in the 2013/14 financial year but the related funding was not correctly allocated.

58.10 Operating lease liability

Balance previously reported	2 074 649
Straight lining of operating leases	(920)
	2 073 729

Accounting for the straightlining of operating leases.

58.11 Employee benefit obligation

Balance previously reported	207 825 478
Post employment health benefits	20 743 303
	228 568 781

In the previous financial years the post employment medical aid (PEMA) subsidies were valued with the assumption that it was subject to a capped amount.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

58. Prior period errors (continued)

58.12 Accumulated surplus

Balance previously reported	4 692 765 345
Employee benefit obligations - Post employment health benefits	(20 367 095)
Investment properties	10 655 855
Property plant and equipment	1 009 158
Receivables from exchange transactions	3 134 326
Other receivables from exchange transactions - Insurance debtor	(64 698)
Receivables from non-exchange transactions	736 207
Unspent conditional grant	867 446
Payables from exchange transactions	916
Decrease in operating surplus	1 464 713
	<u>4 690 202 173</u>

Refer to the nature of the adjustments in the financial statement line items as indicated above.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

58. Prior period errors (continued) Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	705 713 720			705 713 720
Rental of facilities and equipment	16 790 832	1 807 724		18 598 556
Interest received (trading)	5 713 800			5 713 800
Agency services	1 906 917	640 095	3 029 036	5 576 048
Licences and permits	7 238 690		(3 029 036)	4 209 654
Other income	35 651 984	731 378	(475 568)	35 907 794
Investment revenue	49 713 124	32		49 713 156
Total revenue from exchange transactions	822 729 067	3 179 229	(475 568)	825 432 728
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	268 311 283			268 311 283
Property rates - penalties imposed	2 067 379			2 067 379
Transfer revenue				
Government grants & subsidies	227 268 132	940 788	-	228 208 920
Fines, Penalties and Forfeits	90 712 510	1 891 943	-	92 604 453
Total revenue from non-exchange transactions	588 359 304	2 832 731	-	591 192 035
Total revenue	1 411 088 371	6 011 960	(475 568)	1 416 624 763
Expenditure				
Employee related costs	(367 462 966)			(367 462 966)
Remuneration of councillors	(15 844 246)			(15 844 246)
Contribution to/from provisions	(7 857 299)	1		(7 857 300)
Contribution to allowance for doubtful debt	(1 241 549)	7 976 131		6 734 582
Depreciation and amortisation	(152 439 477)	2 887 271		(149 552 206)
Finance costs	(20 390 548)			(20 390 548)
Debt impairment	(69 067 236)	(14 210 251)		(83 277 487)
Collection costs	(1 849 167)			(1 849 167)
Repairs and maintenance	(54 657 830)	9 442		(54 648 388)
Bulk purchases	(324 776 672)			(324 776 672)
Contracted services	(49 914 569)	293 610		(49 620 959)
Transfers and subsidies	(6 215 883)			(6 215 883)
Contribution to employee benefits	(31 607 439)	(376 208)	475 568	(31 508 079)
General Expenses	(151 612 364)	(1 127 241)		(152 739 605)
Total expenditure	(1 254 937 245)	(4 547 247)	475 568	(1 259 008 924)
Operating surplus	156 151 126	1 464 713	-	157 615 839
Gain on disposal of assets and liabilities	(933 659)			(933 659)
Fair value adjustments	(5 624 621)			(5 624 621)
Gain on biological assets and agricultural produce	43 295			43 295
Inventories (losses/write-downs)/ reversal of write downs	34 728			34 728
	(6 480 257)	-	-	(6 480 257)
Surplus for the year	149 670 869	1 464 713	-	151 135 582

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

58. Prior period errors (continued)

58.13 Rental of facilities and equipment

Balance previously reported	16 790 832
Receivable from exchange transactions- Housing rental	1 807 724
	<u>18 598 556</u>

The municipality signed an agreement in 2008 for the transfer of 80 housing selling scheme / rental units to the municipality. The transaction was to recognise the rental receipts relating to the housing units.

58.14 Agency services

Balance previously reported	1 906 917
Reclassification of agency fees incorrectly classified as licences and permits	3 029 036
Payables from exchange transactions correction of unallocated funds	640 095
	<u>5 576 048</u>

The agency fees receivable from licence renewals were incorrectly classified as licences and permits.

Correct allocation of receipts relating to agency services.

58.15 Licences and permits

Balance previously reported	7 238 690
Reclassification of agency fees incorrectly classified as licences and permits	(3 029 036)
	<u>4 209 654</u>

The agency fees receivable from licence renewals were incorrectly classified as licences and permits.

58.16 Other Income

Balance previously reported	35 651 984
Actuarial gain reclassified to contribution to employee benefits	(475 568)
Other receivables from exchange - Insurance debtor	672 928
Payables from exchange transactions - Impounded vehicles	58 450
	<u>35 907 794</u>

The actuarial gain was disclosed as part of the contribution to employee benefits in accordance with GRAP 25.74.

Recognition of an insurance debtor for the amount claimed relating to a claim submitted to the insurance company in the 2015/16 financial year.

Recognition of revenue as no claim was established within one year from the date of sale of impounded vehicles. In accordance with the rules of the road, such balance shall be forfeited to the authority concerned.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

58. Prior period errors (continued)

58.17 Government grants & subsidies

Balance previously reported	227 268 132
General expenses - Top structure	778 870
Receivables from non-exchange transactions	161 918
	<u>228 208 920</u>

The Department of Human Settlements honored claims for top structure from the municipality due to the contractor. The invoice date related to the 2015/16 financial year. Recognition of revenue and expenditure relating to the transaction, as the requirements for the conditional grant was met.

The accounting transaction for the government grants and subsidies were incorrectly processed in the prior year on the financial system.

58.18 Fine, Penalties and Forfeits

Balance previously reported	90 712 510
Traffic fines	1 891 943
	<u>92 604 453</u>

The municipality uses TMT as the service provider for the administration of traffic fines. When the municipality requested the 2016/17 traffic fine information, it came to our attention that the prior years information changed and therefore we had to process a journal in the financial system to reflect the amendments.

58.19 Contribution allowance for doubtful debt

Balance previously reported	(1 241 549)
Receivables from exchange transactions - Housing rental	7 976 131
	<u>6 734 582</u>

The municipality signed an agreement in 2008 for the transfer of 80 housing selling scheme / rental units to the municipality. The transaction was to recognise the allowance for impairment based on the payment rate of the debtors.

58.20 Depreciation and amortisation

Balance previously reported	(152 439 477)
Property, plant and equipment	3 164 218
Intangible assets	70 511
Investment property	(347 458)
	<u>(149 552 206)</u>

Assets were zero book value identified were corrected retrospectively for Property, plant and equipment and Intangible assets.

The municipality signed an agreement in 2008 for the transfer of 80 housing selling scheme / rental units to the municipality. The transaction was to recognise the depreciation relating to the Investment property.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

58. Prior period errors (continued)

58.21 Debt impairment

Balance previously reported	(69 067 236)
Traffic fines	(14 210 251)
	<u>(83 277 487)</u>

The municipality uses TMT as the service provider for the administration of traffic fines. When the municipality requested the 2016/17 traffic fine information, it came to our attention that the prior years information changed and therefore we had to process a journal in the financial system to reflect the amendments.

58.22 Repairs and maintenance

Balance previously reported	(54 657 830)
Payables from exchange transactions -Trees pruning	10 000
Pumps - expenditure correctly allocated	(558)
	<u>(54 648 388)</u>

A data cleansing exercise was done for the clearing of all suspense accounts due to the mSCOA implementation.

58.23 Contracted services

Balance previously reported	(49 914 569)
Straight lining of operating leases	920
Accrual corrections	292 690
	<u>(49 620 959)</u>

Accounting for the straight lining of operating leases.

A data cleansing exercise was done for the clearing of all suspense accounts due to the mSCOA implementation.

58.24 Contribution to employee benefits

Balance previously reported	(31 607 439)
Actuarial gain reclassified from other income	475 568
Post employment medical aid	151 847
Liability increased of post employment medical aid	(3 515 089)
Actuarial gain error	2 987 034
	<u>(31 508 079)</u>

The actuarial gain was disclosed as part of the contribution to employee benefits in accordance with GRAP 25.74.

In the previous financial years the post employment medical aid (PEMA) subsidies were valued with the assumption that it was subject to a capped amount.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

58. Prior period errors (continued)

58.25 General Expenses

Balance previously reported	(151 612 364)
Other receivables from exchange transactions - Insurance debtor	(449 713)
Payables from exchange transactions	104 564
Government grants and subsidies - Top structure	(778 870)
Receivables from exchange transactions	(3 222)
	<u>(152 739 605)</u>

Excess payments relating to the insurance was erroneously reducing the insurance debtor in other receivables from exchange transactions.

The Department of Human Settlements honored top structure claims from the municipality due to the contractor. The invoice date related to the 2015/16 financial year. Recognition of revenue and expenditure relating to the transaction, as the requirements for the conditional grant was met.

A data cleansing exercise was done for the clearing of all suspense accounts due to the mSCOA implementation.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

59. Budget differences

Material differences between budget and actual amounts

All variances greater than 10% as depicted in the Statement of Comparison of Budget and Actual Amounts are explained below.

Statement of Financial Performance

Revenue

Rental of facilities and equipment (BD 1)

The revenue for rental of facilities and equipment was better than expected, which is beneficial to the municipality.

Interest earned - outstanding receivables (BD 2)

The budget projection increase was based on the prior period's position of debtors.

Agency services (BD 3)

The projected collection was conservative due to historic performance.

Licences and permits (BD 4)

The projection was based on the prior period's collection.

Other Income (BD5)

The increase is mainly due to the actuarial gain that was recognised in the statement of financial performance.

Investment revenue (BD 6)

More funds than anticipated were invested during the financial year due to delays in commencement in projects

Property rates - penalties imposed (BD 7)

Penalties imposed for property rates are included in the property rates budget, which is an immaterial difference (0%) when taking both amounts into account.

Government grants & subsidies (BD 8)

Some conditional grants have not yet met conditions and not yet recorded as revenue, hence the significant .

Expenditure

Contribution to / from provisions (BD 9)

The difference emanates from the post-retirement benefits and long service awards which is calculated based on information as at year end and subject to certain unpredictable assumptions ie. discount rate, expected rate of return, retirement age, etc. This information is not available when the budget is drafted.

Impairment loss/ Reversal of impairments (BD 10)

No assets were impaired/ reversed for impairment during the year.

Contribution to employee benefits (BD 11)

The difference emanates from the post-retirement benefits and long service awards which is calculated based on information as at year end and subject to certain unpredictable assumptions ie. discount rate, expected rate of return, retirement age, etc. This information is not available when the budget is drafted.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

59. Budget differences (continued)

Debt Impairment (BD 12)

The projection was based on historical data but debtors unexpectedly increased. Refer to notes 4,5 and 7

Contribution to allowance for doubtful debt (BD 13)

The projection was based on historic performance of debtors'accounts

Collection costs (BD 14)

Improved debtors payment resulted in less expences,due to a decline in operations such as issue of summmances/first notice/ registered mail / sms's / Legal correspondance.

Repairs and maintenance (BD 15)

Much provision was made for unplanned repairs of assets.

Contracted Services (BD 16)

Re-classification of other general expenses resulted in the actual amount increasing

Transfers and Subsidies (BD 17)

Less applications for the grant in aid were received than projected.

General Expenses (BD 18)

Implementation of cost-cutting measures and re-classifying some general expenses as contracted services and external loan not being taken

Statement of Financial Position

Assets

Cash and cash equivalents (BD 19)

Due to unspent conditional grants, there was more cash to invest on a short-term basis.

Other receivables from exchange transactions (BD 20)

During the financial year the municipality implemented higher water tariffs resulting in an increase in the estimate for water.

Inventories (BD 21)

Significant bulk inventory items were procured during the year which were still unused at year end, hence also the decrease in repairs and maintenance spending

Long term receivable (BD 22)

Arrangement debtors reclassified as long term receivables

Receivables from non-exchange transactions (BD 23)

The actual collection rate on fine debtors was better than expected. This resulted in a decrease in the allowance for impairment.

VAT receivable (BD 24)

Management did not anticipate a VAT receivable at year end.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

59. Budget differences (continued)

Short term investments (BD 25)

Due to cash flows, some short term investments were converted into cash & cash equivalents

Biological assets that form part of an agricultural activity (BD 26)

The budgeted amount is based on the previous fair value model which has since been changed to cost model

Investment property (BD 27)

The budgeted amount is based on the previous fair value model which has since been changed to cost model

Intangible assets (BD 28)

The municipality had planned to procure more software systems.

Heritage assets (BD 29)

The budgeted amount is based on the previous fair value model which has since been changed to cost model.

Liabilities

Other financial liabilities (BD 30)

The municipality had calculated that an additional loan would be taken and the consolidated short-term portion thereof paid off quicker.

Operating lease liability (BD 31)

Operating lease liability is included in other financial liabilities

Payables from exchange transactions (BD 32)

This was mainly due to late contractor appointments, delays in projects which led to more invoices not being paid at year end.

Consumer deposits (BD 33)

Growth in our community/ client base resulting in increase deposits.

Employee benefit obligation (BD 34)

The difference emanates from the post-retirement benefits and long service awards which is calculated based on information as at year end and subject to certain unpredictable assumptions ie. discount rate, expected rate of return, retirement age, etc. This information is not available when the budget is drafted.

Unspent conditional grants and receipts (BD35)

Due to unforeseen circumstances, late contractor appointments, delays in projects, etc, conditions of some grants could not be met at year end.

Other financial liabilities (BD30)

Due to the financial position of the municipality, it was decided by management not to take an external loan

Provisions (BD36)

Provisions are based on experts' work as at the end of the financial year using information that is not available during the budget. The budget is based on historic amounts.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

59. Budget differences (continued)

Cash Flow Statement

Receipts

Sale of goods and services (CF 1)

The actual sale of goods and services were less than what was expected.

Grants -operational (CF 2)

The municipality received additional grant funding from the Department of Human Settlements for the construction of Top Structures.

Interest income (CF 3)

The budget projection for interest earned was made based on previous performances and the revenue collected exceeded the projection, which is beneficial to the municipality.

Grant -capital (CF 4)

The grant funding from sources other than national and provincial government were less than what was expected.

Payments

Suppliers and employee costs (CF 5)

Bulk purchases decrease is due to a decline in consumption, negative impact of load shedding and the utilization of alternative energy sources by consumers.

Employee related cost decrease due to vacancies not filled and posts becoming vacant during the financial year.

Transfers and grants (CF 6)

Management anticipated to spend the allocated funds, but due to unforeseen circumstances it did not materialise as planned.

Cash flow from investing activities

Capital assets and Purchase of intangible assets (CF 7)

The variance relates to the underspending on the capital budget.

Proceeds from sale PPE (CF 8)

The proceeds from sale of property, plant and equipment were better than expected, which is beneficial to the municipality.

Movement in Investments (CF 9)

The municipality invested excess funds for periods more than 3 months but up to 12 months, these investments are classified as short term investments in the statement of financial position.

Proceeds from biological assets (CF 10)

Management did not anticipate to sell biological assets during the financial year.

Proceeds from long term receivables (CF 11)

Arrangement debtors classified as long term receivables

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

59. Budget differences (continued) Cash flow from financing activities

Proceeds from other financial liabilities (CF 12)

Due to the financial position of the municipality, it was decided not to take up an external loan

Increase in consumer deposits (CF 13)

The budget projection for consumer deposits was based on previous year's performance.

Changes from the approved budget to the final budget

The changes between the approved and final approved adjustments budget are a consequence of reallocations within the approved budget parameters allowed for by Section 6 of the Budget Implementation and Monitoring Policy as approved by Council.

60. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had an accumulated surplus of R 4 903 515 436 and that the municipality's total assets exceed its total liabilities by R 4 903 515 436.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Stellenbosch Municipality

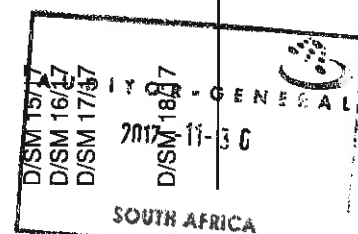
Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

61. Deviations from, and ratification of minor breaches of procurement process

In accordance with paragraph 4.36 (a) of Supply Chain Management Policy the deviations from, and ratifications of minor breaches of procurement per directive are listed below:

Deviation no:	Date of adjudication	Supplier	Contract/ order description	Rate of recurrence	Contract/ Order Amount
D/SM 1/17	04/07/2016	Atterbury Holdings	Office Space	Total D/SM amount	5 971 818
D/SM 2/17	14/07/2016	Roy Steel and Associates	Recruitment and selection process - Municipal Manager	Total D/SM amount	51 300
D/SM 3/17	14/07/2016	Total SA	The provision of Fuel for the municipal fleet, for a contract period of 6 months ending 31 December 2016	Rates	
D/SM 4/17	29/07/2016	Fair Build CC Rhotec CBI Electric Fair Build CC Blue Civils	Repairs to building and equipment following attempt of theft and vandalism at Kayamandi substation	Total D/SM amount	67 860
D/SM 5/17	05/07/2016				
D/SM: 6/17	02/08/2016	Sowterby Engineering Company HSM Amanzi	Motivation for appointment of service provider for the demolishing of the existing building in erf 62, Kayamandi Urgent repairs and service of Wemmershoek wastewater treatment plant blowers	Total D/SM amount	113 145
D/SM 7/17	08/09/2016	JR Wendys CC	Emergency relocation, Zone K	Total D/SM amount	734 363
D/SM 8/17	08/09/2016	Jubelle Projects	Planning of zone O and projects management for servicing of 295 sites in Watregang, Kayamandi	Total D/SM amount	83 300
D/SM 9/17	08/09/2016	Country Building Supplies	Emergency procurement of fire kits	Total D/SM amount	113 097
D/SM 10/17	16/09/2016	Rhotec	Repairs and installation of outdoor detection at the Main substation, Vredenburg Street	Total D/SM amount	410 252
D/SM 11/17	21/09/2016	Grace Construction	Repairs and replacement of medium voltage cables at Le Seur Street, Brandwacht following extensive damage to cables during excavation works for burst water pipes	Total D/SM amount	57 205
D/SM 12/17	26/09/2016	HUBER Technology	Repairs/refurbishment of the damaged HUBER Ro2 1000/3 fine screen at Pniel WWTW	Total D/SM amount	113 110
D/SM 13/17	21/09/2016	Exeo Khokela	Construction of the Paradyskloof to Jamestown water supply	Total D/SM amount	191 788
D/SM 14/17	17/10/2016	Kaltron EOH	Construction of the Paradyskloof to Jamestown water supply	Total D/SM amount	14 617 112
D/SM 15/17	07/10/2016	JR Wendys CC	Wemmershoek WWTW - Communication Ring Link	Total D/SM amount	14 688
D/SM 16/17	09/11/2016	Various artists	Emergency relocation erf 412, Franshoek	Total D/SM amount	72300
D/SM 17/17	16/11/2016	Ibhunga Cleaning and Brick Paving & Painting Impolo Trading Solutions Conlog	Special work of Art (Artists performances) Appointment of service providers to maintain and clean the public ablution facilities in designated informal settlements in the WC024 area To buy from sole supplier	Total D/SM amount Rates	41 800 77 500
D/SM 18/17	16/11/2016			Total D/SM amount	15 220



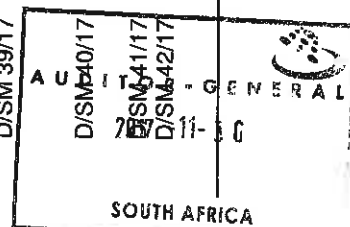
Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

61. Deviations from, and ratification of minor breaches of procurement process (continued)

D/SM 19/17	16/11/2016	Ian Dickie & Co	Certificate of emergency: Hiring of a pump to prevent sewage spilling along the R44, Stellenbosch	Total D/SM amount	67 559
D/SM 20/17	16/11/2016	CBI Electric	Repair and replace medium voltage cable sat Jan Marais Substation	Total D/SM amount	870 562
D/SM 21/17	N/A	N/A	Deviation number accidentally skipped	N/A	-
D/SM 22/17	06/12/2016	KOOLTRON (Pty) Ltd	Urgent installation of ventilation system on blower-house at Wemmershoek Waste Water Treatment Plant	Total D/SM amount	208 962
D/SM 23/17	09/12/2016	Country Building Supplies	Emergency procurement of fire kits	Total D/SM amount	269 124
D/SM 24/17	09/12/2016	CSX Customer Services	Procurement from a selected provider	Total D/SM amount	306 000
D/SM 25/17	09/12/2016	JR Wendys CC	Wendy houses in Jamestown	Total D/SM amount	184 500
D/SM 26/17	14/12/2016	Geodebt	Debtor Management	Rates	-
D/SM 28/17	05/01/2016	Prentec	Rental mobile belt press	Total D/SM amount	1 145 244
D/SM 29/17	21/12/2016	Total SA	Fuel	Rates	-
D/SM 30/17	12/10/2016	Arbor Care	Tree damage urgent measures: Kayamandi Zone 108	Total D/SM amount	19 950
D/SM 31/17	06/12/2016	Genadendal Jackies Bazaar	Hiring 3 refuse compactors daily	Rates	-
D/SM 32/17	25/01/2017	Three Go Konstruksie	Emergency roof repair at Unie Park reservoir, Stellenbosch	Total D/SM amount	23 150
D/SM 33/17	16/02/2017	Angel Shack	Office relocation to Eikestad mall	Total D/SM amount	586 695
D/SM 34/17	14/12/2016	Urban World	Broader targeted investigation re the abuse and theft of municipal assets (RCAL/12)	Rates	87455
D/SM 35/17	03/03/2017	Webber Wentzel	Demolishing, monitoring and prevention of illegal informal structures within Informal Settlement areas within the WCO24 area of Stellenbosch Municipality	Rates	-
D/SM 36/17	02/03/2017	Bradley Conradie	Appointment service providers to act as presiding officer and employer Representative in disciplinary hearing	Rates	-
D/SM 37/17	06/03/2017	Cliffe Dekker	Dredging and sludge removal from Wemmershoek Maturation	Total D/SM amount	662 340
D/SM 38/17	14/03/2017	Guerrini Marine Construction CC	Appointment of service providers to maintain and clean the public ablution facilities in designated informal settlements in the WCO24 area	Total D/SM amount	408 622
D/SM 39/17	13/03/2017	Impolo Trading Solutions	Request for urgent sale due to potential loss of income due to forest fire (Botmanskop Plantation)	Rates	-
D/SM 40/17	15/03/2017	Ibunga Cleaning and Brick Paving	Appointment service providers to assist with the Backlog of disciplinary hearing as presiding officer and employer representative	Rates	-
D/SM 41/17	30/03/2017	C Nitamo Holdings	Operation and management of Landfill Site-Interwaste 01 April 2017 – 30 September 2017	Rates	-
D/SM 42/17	07/04/2017	Bradley Conradie	Procurement from a selected supplier	Total D/SM amount	115 751
D/SM 43/17	10/04/2017	Cliffe Dekker	Slabtown Fire 31 March 2017	Total D/SM amount	29 400
D/SM 44/17		Etienné Vermaak			
D/SM 45/17		Inter Waste (Pty) Ltd			
D/SM 46/17		CSX Customer Services			
D/SM 47/17		Nokhala Cleaning Services			



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

61. Deviations from, and ratification of minor breaches of procurement process (continued)					
D/SM 43/17	13/04/2017	JR Wendys CC Sanitech	Relocation of Slabtown (Cloetesville) to Jamestown	Total D/SM amount	369 000
D/SM 44/17	03/05/2017	Nokhala Cleaning Services	Slabtown Fire 31 March 2017	Total D/SM amount	117 600
D/SM 45/17	28/04/2017	ZTANDIS (Pty) Ltd and CBI Electrical	Repairs to medium voltage cable feeder to Nuutgevonden development following an incident of theft and vandalism of the overhead line and cable	Total D/SM amount	572 314
D/SM 46/17	05/05/2017	DVC General Trading CC	Emergency work: Townhall Toilets	Total D/SM amount	18 753
D/SM 47/17	28/04/2017	Estate Fencing	Beta fencing at Beltana	Total D/SM amount	1 670 241
D/SM 48/17	12/05/2017	Parone Trading	Motivation for appointment of service provider for the immediate repair of the roof at the Van Der Stel sports facilities	Total D/SM amount	73 712
D/SM 49/17	15/06/2017	Exeo Khokela	Preparation and implementation of drought disaster action plan for Stellenbosch, WC024	Total D/SM amount	2 923 422
D/SM 50/17	22/06/2017	Avalon Technology Group	Matopie highsite failure	Total D/SM amount	101 728
D/SM 51/17	19/06/2017	Polormama	Langrug storm disaster 07 June 2017	Total D/SM amount	145 510
D/SM 52/17	30/06/2017	Nokhal Cleaning Services		Rates	27 200
D/SM 53/17	30/06/2017	ABSA	Banking services	Rates	-
D/SM 54/17	30/06/2017	Leelyn Management	Parking Management	Total D/SM amount	600 000
		Liquid Telecommunications SA	Telephone system limitations (voice services)		

62. Gains or losses on biological assets

Gains or losses arising from a change in fair value less point of sale costs

(104 086) 43 295

